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I. Introduction

1. In its decision 99/23 of 17 September 1999, the Executive Board welcomed the achievement of UNDP in developing the multi-year funding framework (MYFF) as a primary strategic management tool, intended to guide the organization's work during 2000-2003. The MYFF comprises two basic elements: a strategic results framework (SRF) and an integrated resources framework (IRF). In order to monitor progress during the four-year MYFF period, two reporting mechanisms were devised: an annual review of key results achieved and resources used – the results-oriented annual report (ROAR) – and an end-of-cycle assessment of performance – the present MYFF report.

2. By integrating programme objectives, resources and results, the MYFF provides a clear indication of the funding requirements needed to ensure the effectiveness of UNDP programmes. UNDP has sought to enhance the predictability and amount of its critical base of regular (core) resources, while establishing a strategic management tool that would instil a new focus on results throughout the organization.

3. Executive Board members and other partners have appreciated the analysis and candour of the ROARs on UNDP performance. In its early years, however, the MYFF only partly met expectations as a means for resource mobilization. From 1999 to 2001, UNDP regular resources continued to decline. However, 2001 and 2002 saw the resumption of an upward trend in core resources. While the MYFF has served to reverse the decline in regular resources, the level of core resources remains significantly below the agreed targets originally set by the Executive Board in the framework. Significantly, the MYFF has served to align all resources behind a common set of development outcomes and results, regardless of the funding source.

4. In terms of strategic management, the SRF has succeeded in directing UNDP corporate focus on six strategic goals: governance, poverty reduction, environment, special development situations, gender, support to the United Nations. This has encouraged country offices to streamline and strengthen their programmes by reducing the number of outcomes from an average of 14 per programme in 2000 to below 10 in 2002, while enhancing staff accountability and building more strategic partnerships. At headquarters, the regional bureaux have employed the ROARs to assist country offices in this process, while senior managers turn to them to design and refine corporate policies.

5. The final year of the current MYFF presents an opportunity to examine how far UNDP has come as an organization in the last four years, and to determine in what direction the organization should move during the 2004-2007 MYFF cycle. The present MYFF progress report for 2000-2002 serves this purpose.

6. At the second regular session 2002 of the Executive Board, UNDP indicated that it would prepare the present end-of-cycle assessment MYFF report building on the experience of the first three years of the MYFF. Developed through a country-office–driven process, the report uses data from results-oriented annual reporting for 2002 and a cumulative three-year assessment by country offices of intended outcomes and multi-year outputs for 2000-2002.

7. While the current MYFF period ends on 31 December 2003, preparing the report a year before the end of the 2000-2003 period allows the Executive Board at its forthcoming annual session 2003 to focus on lessons learned during the first three years in advance of deliberations on the MYFF 2004-2007 which will take place at its second regular session in September 2003. Building on these experiences will greatly assist UNDP in moving into its next MYFF period, and in aligning the SRF goals with the organization's practice areas and the Millennium Development Goals (MDGs). It is anticipated that the MYFF report will spark further learning through UNDP practice communities and knowledge networks, feeding into policy deliberations by senior management and into UNDP work on the ground in programme countries. Additional information and analysis of methodological issues are provided in conference room paper DP/2003/CRP.14, which will also include lessons learned and difficulties encountered in the organization's efforts to become more results oriented and focused.

II. Three years of transformation

8. Emerging from three years of intensive restructuring, UNDP is increasingly more focused and results oriented. The organization has narrowed its programming around the six SRF goals. At the country level, offices have more closely tailored their operations to these goals, with a heightened emphasis on achieving better results for a more selective number of outcomes.

9. Country reports from all regions document a stronger adherence to corporate strategies, closer links between resources and programming, streamlined programme planning, a wider array of partnerships, and more efficient and accountable internal management. Results-based management (RBM) is helping to ensure that programme funds flow systematically into strategic programming areas, and country offices have confirmed that regular reviews of results have contributed to a more strategic allocation of resources. In some cases, the greater capacity to chronicle and demonstrate results has provided leverage for mobilizing new resources. Programme planning, monitoring and analysis have also improved, as RBM has specifically fostered a new understanding of the need to assess progress towards results through periodic reviews, the preparation of "cost-per-result" analyses and the quarterly comparison of results against the SRF. Programme targets and outcomes have been linked to managerial accountability, staff work plans and performance reviews, while participatory preparation processes for the SRF and ROAR have been implemented to encourage a sense of country office ownership of programmes.

10. RBM has also proven to be a useful mechanism for UNDP in developing outcome-centred partnerships. By highlighting the gaps between outputs and outcomes, RBM has accentuated the crucial nature of partnerships as the bridge between the direct results of projects and the desired development change. There is evidence that country offices are prioritizing interventions, and their relevance to national development goals, through dialogue with development partners, which has helped to shift perceptions of UNDP as being a major funding agency to being a partner with a wealth of knowledge and experience on development strategies.

11. In a growing number of countries, the MYFF is further reinforced by the increasing alignment of programming instruments. Country programme results now link directly to the SRF while also corresponding to the overarching outcomes set in the United Nations Development Assistance Framework (UNDAF), which harmonizes the efforts of different members of United Nations country teams.

12. UNDP now carries out programmatic collaboration in 136 countries, drawing on its expertise and role as a trusted partner to offer capacity development support and to advocate for change. For all SRF goals, country offices report that capacity development is now an intrinsic aspect of UNDP business at the individual, institutional and societal levels because it lays the foundation for sustaining development results. Many forms of advocacy support these and other efforts. More than 450 national and regional human development reports, for example, have become a basis for dialogue between governments and donors, as well as important tools for civil society, academics and the media. The national human development reports (NHDRs) and the disaggregated human development index (HDI) at the national and sub-national levels have become fundamental references and important instruments for policy formulation. As an increasingly networked organization, UNDP is also able to share best practices and lessons learned routinely and easily through the thematic knowledge networks organized around UNDP practice areas. Additional knowledge networks have been set up to broaden communication on cross-cutting topics such as gender, management practices, South-South cooperation and the MDGs. UNDP now has 98 field-based policy specialists, many of whom are posted in nine sub-regional resource facilities (SURFs) throughout the world. The SURFs bring thousands of participants together to exchange their expertise.

13. In terms of programming activities, the MYFF results make clear that supporting good governance remains the central UNDP area of business. While governance is the single largest SRF goal by expenditures and activities, governance initiatives are increasingly cross-cutting, supporting work in all SRF strategic areas. UNDP has also built on its role as a trusted and neutral advisor to governments, whether to negotiate the sensitive details of a poverty reduction strategy, facilitate dialogue on democratic reforms, overcome challenges that threaten democratic systems, or forge new partnerships between the state and different sectors of society. Following the trend towards decentralized governance in many countries, UNDP has undertaken innovative sub-national development programmes that often in turn strengthen or further inform national policy.

14. An emerging priority over the MYFF period has become the capacity of UNDP to bridge the gap between relief and development, a potential for the organization first strongly underscored in the Report on the Panel of United Nations Peace Operations (A/55/305), known as the Brahimi report. As the number of conflicts and crises continue to rise, UNDP is able to respond rapidly thanks to its wide country-level presence. Country offices cited support for more stable political and security situations as an essential first step toward longer term development activities. In 2002, the newly created Bureau for Crisis Prevention and Recovery completed its first full year, with programmes now in over 60 countries.

15. After several years of experiencing difficulties in capturing gender-related results based on ROAR data, UNDP has been able to obtain more information through the multi-year assessment of progress. Gender has proven to be a critical issue in many country offices, with 90 countries reporting on gender initiatives. They noted significant progress in UNDP assistance for strengthening policies and laws, building capacity to advance gender equality and gender mainstreaming in governments.

16. Around the world, UNDP associated funds and programmes continue to provide essential services that support the SRF goals. The United Nations Volunteers (UNV) programme is recognized as increasingly important both in peace-building situations, notably in East Timor, and in assisting development activities, which involved 4 316 UNV volunteers during 2000-2002. Despite constraints on core funding, the United Nations Capital Development Fund (UNCDF) continued to produce excellent results on the ground. A number of UNDP country offices referred to UNCDF-supported decentralization and local governance programmes as being crucial to their own programmes, illustrating that UNCDF remains a key partner for UNDP in these areas. The United Nations Development Fund for Women (UNIFEM) has achieved important results in areas including women's economic security (18 countries in 2002), gender budgeting (20 countries), and mainstreaming gender in constitutional and legislative processes (Afghanistan and East Timor). UNIFEM is increasingly involved in UNDAF and common country assessment (CCA) exercises (17 countries), and in 2002 UNIFEM executed projects for UNDP in ten countries while preparing to execute in six more countries. Finally, the strategically reoriented Special Unit for Technical Cooperation among Developing Countries continues to promote South-South cooperation, including a recent programme to improve waste management and foster public-private partnerships by bringing together five African and six Asian cities and.

17. In 2002, UNDP experience with aligning and assessing country programmes with the SRF led the organization to identify six core practice areas. These encompass some of the most compelling development challenges, and will define future work throughout UNDP. Nearly parallel to the six SRF goals, the practices include democratic governance, poverty reduction, crisis prevention and recovery, energy and environment, information and communications technology and HIV/AIDS.

18. All of the practices will be guided by the growing worldwide momentum behind the MDGs, which offer enormous potential for mobilizing popular and political support for the most critical development concerns. Achieving the goals presents the central development challenge for the coming years, and UNDP is strategically well placed to help to meet it – by mandate, mission and experience. As coordinator of United Nations system activities, the organization is working closely with partners in the United Nations Development Group to move forward with common strategies and concrete initiatives. Internally, UNDP has already begun the substantial integration of the MDGs in all its programmes, an effort that will be a fundamental priority in shaping the upcoming MYFF.

III. Working towards the strategic results framework goals

19. The following section provides a summary assessment of progress made towards each SRF goal while section IV offers a more in-depth analysis of specific achievements and trends. The assessment is based on country-level reporting of results achieved, taking into account, in particular, programme country demand, criticality (the extent to which the achievement is judged as important at the country level), distinct UNDP contributions, and resources mobilized for the country to undertake programmes in each goal.

Governance

20. Governance is the SRF goal showing the highest concentration of UNDP activities. As of 2002, almost all country offices reported results in this area. Support to governance accounted for the largest portion of overall estimated programme expenditures at 42 per cent during 2000-2002, reaching $2 230 million, with $348 million from regular resources. Other (non-core) resources contributed $1 882 million, with $363 million from donor co-financing and $1 519 million from government cost-sharing.

21. Reflecting growing democratization over the past decade, decentralization and local governance have become important areas of support, encompassing the review and reform of legislation and policies; capacity development (especially for local government planning and fiscal management); and inclusive systems of consultation with local communities that involve women and ethnic minorities. A total of 96 countries now benefit from decentralization assistance.

22. Much of UNDP local development work has evolved from community-based interventions to multi-component packages of governance support and social mobilization. This integrated approach addresses an array of people's needs in the midst of diverse development challenges, from environmental devastation to post-conflict recovery. Support to decentralized policies and legislation has also helped in the more effective replication of successful local development pilots

23. In 2000-2002, UNDP provided electoral assistance to 26 programme countries where national/local elections were held. Key forms of support included capacity-building for electoral management; inclusion and empowerment of women and marginalized groups; constitutional and electoral reform; electoral observation; and assistance to local elections. In many cases, electoral support led to the establishment of governance platforms.

24. UNDP is increasing its support to parliamentary development to enhance the representative, legislative or oversight capacity of representative institutions in the governance process. In 2002, support was provided in over 50 countries. Approximately three quarters of UNDP parliamentary development projects are in Africa and Asia and the Pacific. Other growing areas of support include anti-corruption, with more than 75 countries reporting initiatives in accountability, transparency and the fight against corruption; and human rights, with more than 50 country offices reporting activities.

Poverty reduction

25. Poverty reduction is the second largest focus area of UNDP activities, with all country offices working towards this goal. Forty-eight country offices have identified support to pro-poor policy reform as being among the hallmarks of their programmes under the MYFF.

26. UNDP has dramatically enhanced its support to national policy frameworks, de-emphasizing scattered local-level anti-poverty projects in favour of a greater focus on poverty monitoring and national poverty reduction strategies. The organization is currently engaged in poverty reduction strategy paper (PRSP) processes in 43 countries – up from only 11 in 1999 – and has been central in promoting national ownership, popular participation and donor coordination in programme countries. UNDP has helped to foster national ownership of the PRSP process both by governments and non-government stakeholders. Support to national ownership typically involved capacity-building efforts. Governments and other stakeholders were able to incorporate pro-poor views in formulating the PRSP. In supporting national ownership, the organization, seeking to ensure that PRSP formulation was more inclusive of civil society concerns, helped to establish inclusive platforms for dialogue. In the PRSP process, UNDP assumes a leadership and coordination role among international development partners. Such a role is possible because UNDP plays a leading role in consultative groups and theme groups on governance and poverty in several countries.

27. UNDP has continued to broaden the access of the poor to productive assets and resources but has sharpened its focus and enhanced the links between project-level initiatives and national economic and social policy

reforms. The most notable progress has been in microfinance, in collaboration with the UNCDF. More recently, UNDP has begun to strongly support efforts to link the PRSPs to the Millennium Development Goals. By enhancing national monitoring systems, advocating for disaggregated data and customized poverty targets, and launching broad-based MDG campaigns, UNDP has catalysed a coordinated effort of governments, civil society organizations, the private sector, the United Nations system and bilateral donors.

Environment

28. UNDP supports environmental programmes in almost all countries where it collaborates programmatically with other United Nations organizations. The regional and global environment programmes in turn reinforce these country-level programmes.

29. In 2000-2002, UNDP expended an estimated $451 million in donor co-financing, including that from the Montreal Protocol and the Global Environment Facility (GEF). Estimated expenditures from regular resources totalled $113 million, while government cost-sharing accounted for $227 million.

30. UNDP is playing a growing role in assisting the growth of sustainable energy services, particularly among poor communities. In 2001, approximately 70 per cent of all country offices reported programmes on sustainable energy, many of which concentrated on energy efficiency, renewability and planning.

31. Twelve per cent of the most significant achievements of the MYFF period, as judged by country offices, have been produced in the area of environment, with more than half of highly important results involving strengthening national policy and legal frameworks. Broad appreciation of the value of improved policy frameworks for environmental management is reflected in the even spread of UNDP support across the globe, irrespective of country income or region. Among 54 countries assisted with policy frameworks, 16 were least developed countries, 15 low income countries and 17 middle income countries.

Special development situations

32. UNDP is working in more than 60 countries on activities related to crisis prevention and recovery. The organization's main aim in such activities is to bridge the gap between relief and development.

33. The considerable resource flows to crisis prevention and recovery initiatives affirms their importance – estimated expenditures for special development situations in 2000-2002 totalled $817 million. Within this figure, donor co-financing for conflict prevention and peace-building stood at $546 million, with a further $38 million from government cost-sharing. While the estimated expenditure of $172 million in support of disaster reduction was more modest, it nevertheless reveals a similar pattern, with $15 million coming from regular resources, $96 million from government cost-sharing and $61 million from donor co-financing.

34. As the number of crises in the world continued to rise during the MYFF period, UNDP played an increasing role in helping countries to make the transition from relief to development and enhance national capacities to manage crisis and post-conflict situations. In crisis countries, UNDP supported livelihood and governance initiatives, and worked with development partners on mine action and disarmament, demobilization, and the reinsertion of ex-combatants in their societies. UNDP continues to play a role in preventing and reducing the impact of natural disasters by advocating the inclusion of disaster risk considerations in national and regional development programmes and by implementing disaster reduction and recovery programmes in over 50 countries.

Gender

35. Gender-related interventions have risen in number throughout the MYFF period, as confirmed in data for the SRF gender goal and in the narrative reports, especially in terms of the extent of gender mainstreaming throughout all SRF goals. The number of countries reporting on gender has increased by around 20 per cent during the period, with 90 reporting specifically on the SRF gender goal in 2002. Regionally, programmes in Africa and Asia demonstrate significantly more activity than other regions.

36. Country offices noted that 70 per cent of the principal gender-related achievements in their programmes related to mainstreaming gender equality. While previous ROARs showed difficulties in capturing gender-mainstreaming results, a more open reporting system used by country offices for the MYFF report has captured significant achievements in this area.

37. Through policy support, UNDP helps programme countries to formulate national gender policies, mainstream gender in national budgets and introduce gender perspectives in national human development reports. Policy advice was often coupled with legislative support and capacity development interventions, ranging from gender analysis to training government and civil society partners.

UNDP support to the United Nations

38. As part of its mandate, UNDP plays a key co-coordinating role in the United Nations Development Group (UNDG). At the country level, the resident coordinator system encompasses all organizations of the United Nations system in dealing with operational activities for achieving national development goals. As part of the reform process of the Secretary-General, UNDP has been actively working with other UNDG members in curbing duplication of efforts and facilitating greater complementarity and coherence in development activities under the simplification and harmonization initiative.

39. Adoption of the MDGs in 2000 set the stage for a more concerted strategic collaboration among members of United Nations country teams. By the close of 2001, 27 country offices reported more coordinated monitoring of progress on the goals and support to national adaptations. In 2002, after the Secretary-General requested that UNDP assume the role of primary coordinator of the United Nations system on the MDGs, 42 country offices reported new initiatives and results in this area.

40. Much of that work entailed support for MDG assessments and measurement, including the preparation of national MDG reports, which focus policy analysis and debates on key national priorities, introduce the analysis at the sub-national level, and carry the potential for catalysing local action plans. Other United Nations advocacy and mobilization efforts have begun paving the way for national adaptations of the MDGs based on broad consensus and commitment. Extensive media campaigning has taken place, along with a series of national and regional forums.

41. In terms of simplification and harmonization, hallmarks of the overall United Nations reform process, progress has been achieved in harmonizing programming periods among members of United Nations country teams, employing the UNDAF as a requisite for country programme approval, standardizing budget terminology and formats, and defining the financial modalities of joint programming. A joint office model, moving beyond the establishment of common premises, is also being piloted in the Maldives as part of a UNDP, UNFPA and United Nations Children's Fund (UNICEF) initiative.

42. In addition to the SRF goals, MYFF data have underscored two areas – ICT for development and HIV/AIDS – where UNDP services are increasingly in demand.

43. *Information and communication technologies (ICT) for development.* ICT programmes expanded from 16 countries in 2000 to 52 in 2002. After providing initial assistance with e-readiness assessments and feasibility studies, UNDP promoted the adoption of policies boosting ICT development; capacity development for effective

use of technologies; improvement of people's access to information; and ICT applications that promote good governance, enlarge networks and strengthen social cohesion.

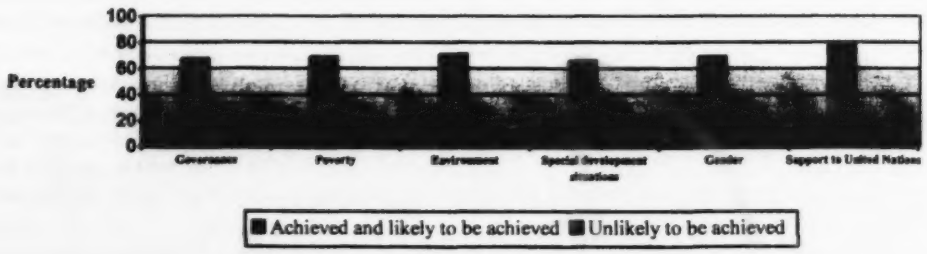
44. *HIV/AIDS.* UNDP played a catalytic role in 2002, assisting governments and civil society in 75 countries to confront the devastating epidemic, and focusing more intensely on sub-Saharan Africa. Country offices in sub-Saharan Africa have expanded their activities, interconnecting their efforts with those of the Regional Programme on HIV in Africa, thereby allowing the Regional Bureau for Africa to employ the full range of resources available to drive a concerted effort in addressing the complexity of the epidemic. UNDP activities, however, are not confined to Africa. In Latin America and the Caribbean, for example, 16 out of 24 country offices reported activities related to HIV/AIDS. In addition, seven countries have implemented intensified programme, combining leadership and capacity development; formulation of national strategies and laws; enhancement of community capacities to participate in policy development and advocacy; and communication campaigns to break the silence on HIV/AIDS.

45. UNDP has established HIV/AIDS and ICT as practice areas in light of the growing demand by programme countries to benefit from the organization's convening capacities, capacity-development programmes, policy support in addressing HIV/AIDS challenges, and the increasing importance of UNDP cooperation in making ICT work for development.

Achievement of outcomes

46. For all SRF goals, the percentage of outcomes already or likely to be achieved by the end of 2003 is similar, averaging 70 per cent (figure 1). Examples of strategic areas of support showing the highest achievement rates include "public awareness and policy dialogue on sustainable human development" (84 per cent) and "national capacity for participation in global conventions for environmentally sustainable development" (83 per cent). Among the poorest performing areas, with 40 per cent or more of the outcomes unlikely to be achieved by the close of 2003, there are "monitoring and assessment of environmental sustainability" and "administration of, and access to, justice". Reasons for which outcomes were not met include: discontinuation of outcomes as a result of narrower programme focus or changes in national priorities; achieving intended outcomes meant spending more time and exerting more effort than originally planned; delayed decisions by government and other national partners; political or socio-economic crisis or natural disaster; the contribution of partners towards outcomes were not fully materialized; and lack of financial resources or management capacity that adversely affected the office.

Figure 1. Achievement rates for outcomes by goal



Continuing challenges

47. While there have been significant achievements, much work remains to be done to overcome challenges faced in all SRF areas, including UNDP support to achieving the MDGs, the mainstreaming of South-South cooperation in UNDP programmes, and strengthening partnerships with the private sector and civil society organizations.

48. The work of UNDP on the MDGs shows an encouraging diversity and dynamism of effort, and the emergence of a first set of good practices. This assessment, however, does not diminish the substantial challenges that lie ahead, including defining clearly how the practice areas mesh with the MDGs in a coherent, medium-term organizational vision. Also needed is a deeper shift in institutional attitudes and approaches with regard to partnerships that will sustain a genuine process of social mobilization around the goals and build capacity on the ground to engage and advocate substantively and credibly on policy issues (such as those around the MDGs and PRSPs). Further progress in harmonizing and simplifying procedures that ensure a more strategic United Nations system response at the country level will further strengthen the organization's role in supporting governments to achieve the MDGs.

49. *South-South cooperation*. Promotion of South-South cooperation is an area that shows clear achievements and significant potential for greater success. With the assistance of the Special Unit for Technical Cooperation in Developing Countries (TCDC), more country offices are now including TCDC in their country programmes. Seventeen million in non-core funding for TCDC activities in programme countries have been mobilized during the programming period of the first cooperation framework for TCDC. National-level initiatives are in turn supported by activities at the regional and global levels. Although significant progress has been made, UNDP is aware of the need to mainstream TCDC in its programmes better, and to create opportunities for developing countries to articulate shared development challenges and identify mutual areas of support. Drawing on the experience of the last MYFF period, UNDP will focus more on policy-oriented and strategic interventions so as to maximise the reach and impact of TCDC programmes.

50. *The private sector*. With the private sector becoming an increasingly important actor in international development, UNDP continues to collaborate both with multinational enterprises and local small and medium-sized firms to further its broad objectives of fighting poverty and promoting peace and development. The organization has played an important role in taking the Global Compact to the country level and facilitating practical collaboration. Viewing the private sector as an engine for growth, UNDP engages at both global and national levels with the business sector in primarily two ways: (a) as a broker/facilitator between the business sector and other stakeholder groups and development partners; and (b) as a partner in concrete initiatives with business-sector organizations. The local knowledge and resources of the private sector have great potential to assist developing countries in their development goals. UNDP aims to increase its efforts to harness this potential and foster a more conducive environment for countries to pursue more effectively the engagement of private sector in the development arena within the principles and values of the Global Compact. The challenge for UNDP is now to refine and implement its modalities of collaboration with private sector and maximize its results.

51. *Civil society organizations*. Although collaboration with civil society organizations (CSOs) is now an integral part of UNDP work at the country, regional and global level, it is necessary to deepening this ongoing process. CSOs are still only peripherally involved in most countries in policy-making and governance activities. An important future goal will be to increase their involvement with the state and promoting mechanisms for cooperative relationships between state and civil society actors. Other future challenges include encouraging policy dialogue between governments, CSOs and donors, while advocating for legal and regulatory environments that enable CSOs to contribute to the development process. UNDP will continue to help CSOs to develop their own capacity by connecting them to knowledge, experience and resources from around the world, including from CSOs in other countries and regions.

IV. Highlights of UNDP achievements

52. In addition to their overall reporting on programme activities, country offices underlined eight performance areas as critical to their development work, most of which correspond directly to specific SRF goals: (a) deepening democracy and decentralization; (b) reducing poverty (UNDP as a trusted partner in the PRSP process); (c) bridging the gap between relief and development; (d) putting gender at the centre of development; (e) promoting access to resources and sustainable management of the environment; (f) responding to HIV/AIDS in sub-Saharan Africa; (g) making ICT work for development; and (h) catalysing United Nations collaboration to achieve the MDGs. Each of the following summaries offers a short narrative of these highlights outlining UNDP service delivery and progress over the last three years.

A. Deepening democracy and decentralization

53. Democratic reform and decentralization have emerged as the most prominent areas of UNDP interventions in governance, clearly a core UNDP focus area.

54. It is now widely recognized that well-governed and democratically accountable countries stand a better chance of achieving their human development goals. Today, 140 countries worldwide either hold multiparty elections or are moving in that direction. Because elections are the cornerstone of democratization, UNDP provided assistance between 2000-2002 in such critical arenas as capacity building for electoral management, inclusion and empowerment of women, constitutional and electoral reform, creation of instruments for observation, and assistance with local elections. Eighty-four per cent of outputs in this area have been achieved or are expected to be reached by 2004.

55. Alongside the growth of democracy has come decentralization, and UNDP is taking a major role in advocating for and supporting effective local governance, often in partnership with UNCDF. Financial allocations in this area have increased six-fold over the last decade, with programmes now established in 90 countries. In addition to playing a strong donor coordination role, UNDP emphasizes flexibility in its support, with close attention to local needs. Among the least developed countries in Africa and Asia and the Pacific, the most popular service has involved the development of decentralization policies and laws. By contrast, 20 out of 39 middle-income countries in Latin America and the Caribbean, the Arab States, and Europe and the Commonwealth of Independent States (CIS) have selected programmes strengthening partnerships between local authorities and civil society organizations. In all regions, UNDP actively looks for innovation, often in the form of pilot local management projects that can be replicated nationally or shared in other countries and regions. Some challenges have been encountered, such as when local governments have struggled with ambitious strategies, or when political sensitivities block true local control. Still, overall performance in this area for 2000-2002 was high, with 76 per cent of outputs already achieved or expected to be reached by the end of 2003.

56. The trend towards decentralization has prompted a shift in how organization approaches support to local development – it is evolving from the traditional series of individual community projects into a strategic package of mutually reinforcing components. Country offices now use these integrated programmes to tackle a diverse range of development challenges, including preventive development, post-conflict transition, disaster recovery and sustainable management of the environment. While impressive strides forward have been taken in virtually all regions, more attention can be paid in the future to scaling these packages up and ensuring their influence on national policies. To date, replication of individual elements of assistance, such as microfinance practices, remains more common. Broader impact appears to depend heavily on systematic attention to developing decentralized policies and laws.

57. UNDP active support to promoting democracy, national dialogue, decentralization, and integrated local development includes some of the following achievements.

Electoral support builds the foundation for democratic governance

58. *Building the capacity to manage elections.* Holding an election can be a sensitive and difficult task. Successful outcomes rely on appropriate electoral mechanisms, skilled personnel and educated voters. In Burkina Faso, the UNDP-supported *Centre pour la gouvernance démocratique* helped to manage elections in 2002 that international observers judged free and fair. In East Timor, for the constituent assembly elections of 2001 and the presidential elections of 2002, UNDP trained Timorese electoral officers in information technology, management and leadership skills, and provided grants to local districts to strengthen civic education. In Bangladesh, despite a very difficult political climate and serious logistical challenges, backstopping of the Election Commission in 2001 encouraged a high voter turnout of 75 per cent. In Yemen, UNDP assisted in the creation of a new voters' register, which helped to increase the active electorate to over 8 million people. The Independent Electoral Commission in Lesotho received technical assistance to strengthen its ability to plan and conduct general elections, culminating in a peaceful vote in May 2002. Mexico developed a technical cooperation package that – after successful testing in its electoral processes – was replicated in Bolivia, Peru, Honduras and Panama. UNV provided capacity building, operational support and election monitoring services in more than 10 countries involving approximately 1 500 UNV volunteers. UNDP also provided substantive and logistical support to Suriname in 2000 and Guyana in 2001, including coordination of donor support, for the conduct and monitoring of national elections, which were certified as free and fair by international observers.

59. *Empowering women and marginalized groups.* One of the most important tasks for newly democratizing nations is to ensure the inclusion and empowerment of women and other marginalized groups in the political process. UNDP has accordingly made this issue a high priority. In Zambia, concerted mobilization of civil society helped to quadruple the number of women seeking office in the 2001 presidential, parliamentary and local elections. In Pakistan, UNDP helped lobby key stakeholders for legal amendments culminating in the creation of reserved seats for women in the national and provincial assemblies, as well as the establishment of an All Parties Women's Forum.

60. *Encouraging electoral reform.* Reforms must often be instituted before an election takes place, and UNDP, being a neutral source of knowledge and expertise, has frequently been called on to assist this sometimes politically charged process. In Indonesia, UNDP backed two key governance initiatives – the amendment of the constitution and direct presidential elections – and has been asked to mobilize international support for the 2004 general elections. The Government of Honduras requested facilitation with sensitive discussions between representatives of political parties and civil society leaders on key issues of electoral reform.

61. *Establishing instruments for observation.* Independent assessments build transparency and accountability, and play an essential role in elections. UNDP has helped to boost the credibility of the electoral process in Mexico through the establishment of a national independent electoral observations mechanism, including the endowment of 48 non-governmental organization (NGO) networks with the financial and technical capacity to participate as electoral observers in presidential polls. UNDP became the only international development organization supporting Honduras in this area, helping the Honduran Documentation Centre to monitor the 2001 elections.

62. *Supporting local elections.* Local elections can indicate the real depth of a democracy, and local governments, if closely attuned to their constituencies, are well positioned to make a difference where it matters most. Increasingly, UNDP support reaches beyond the national level to assist local governance structures, processes and institutions. Notable recent examples of decentralized electoral support include programmes in Mexico, Niger and Ghana.

Building consensus and national dialogue to promote participation for development

63. In countries undergoing severe turmoil, where democratic space can be limited, UNDP has fostered open dialogues across diverse sections of the populations. In Zimbabwe, UNDP has managed to keep channels of communication open among all parties involved in the land reform dispute. In Venezuela, the organization is an

active partner in the search for a negotiated end to the civil strife. In other countries, dialogue has eased the way for the institution of reforms, such as in Barbados and Indonesia on constitutional laws, and in Guatemala on access to justice and human rights. UNDP-assisted consensus-building also increasingly supports the negotiation and formulation of poverty reduction strategies, particularly among the least developed countries. Transition countries without a long tradition of broad-based participation, including Azerbaijan, Kazakhstan, Ukraine and Viet Nam, have requested assistance in setting up consultative processes.

Making decentralization and integrated local development work for people

64. *Drafting new laws for decentralization*. New national laws are often a critical first step towards decentralization to the local level. UNDP has thus worked with 46 countries to revise and draft legislation on decentralization over the past three years. In Nepal, UNDP assistance in preparing the national decentralization plan and governance framework, combined with support to local development funds, resulted in the creation of 15 000 community organizations covering 1.5 million people. In Cambodia, UNDP helped to create the regulatory framework for commune election and administration and establish an institutional framework for implementation of the decentralization policy. This in turn underpinned the success of the Seila programme, which supports commune councils on local development projects. By 2002, Seila covered 80 per cent of all communes, and is expected to stretch across the entire country by the end of 2003.

65. *Enhancing local planning and fiscal management*. Building local capacity for better planning and fiscal management, often through pilot projects, has been a prominent feature of UNDP support for local governance since 2000. In Uganda, UNDP and UNCDF piloted a development planning model in 15 districts that has been adopted by the Government, which plans to scale it up with $68 million in funding from the World Bank. Venezuela has used its national human development report to guide regional and municipal funding allocations, while Lithuania has turned to information technology, helping local governments share knowledge through information networks.

66. *Advancing local access to services*. Initiatives have concentrated on expanding local access to basic services and productive assets, housing, sustainable agriculture and employment. Priority has gone to vulnerable groups, such as the poorest communities in Lao People's Democratic Republic, war-affected populations in the Philippines, refugees and internally displaced persons (IDPs) in Panama, ethnic minorities such as the Roma in Central Europe, and youth in the former Yugoslav Republic of Macedonia, Kosovo and Somalia. Income generation support varies from micro-credit in Morocco to vocational training in Somalia to market-oriented entrepreneurial activities in Hungary.

67. *Backing social mobilization*. Brokering partnerships among local authorities, civil society and local communities constitutes a backbone of local human development programmes in Cuba, Mozambique and Tunisia. In Ecuador, UNDP has fostered community participation in preparing local government budgets, while a regional programme on local development in Latin America operates from Colombia and supports networking among municipalities across several countries. In the Islamic Republic of Iran, the joint United Nations programme in the drought-afflicted Sistan-Baluchistan region, which is the country's poorest area, was inspired by the country's first national human development report. The programme has brought together United Nations organizations and other development partners to address problems ranging from unemployment to poor sanitation. The country team aims at scaling up the experiences and linking them to the MDGs, in part by supplying national partners with reliable data on the region's accomplishments.

B. Poverty reduction: UNDP as a trusted partner in the PRSP process

68. In partnership with the World Bank, the International Monetary Fund (IMF) and other donors, UNDP had played an important role by 2002 in helping 43 countries to formulate and implement PRSP process, particularly

in sub-Saharan Africa. UNDP has also been a key supporter in many other countries in formulating poverty reduction strategies, developing national capacity for policy analysis, fostering broad participation in strategies, building monitoring systems for human and income poverty, gearing strategies to outcome targets (specifically the MDGs) and coordinating donor assistance.

69. The organization's main achievements during 2000-2002 included promoting the participation of the poor and vulnerable in the consultation process for drafting the PRSPs, improving the capacity of countries to measure human and income poverty, and serving as a trusted source of advice to governments. The data from country offices on PRSP-related outputs for 2000-2002 show that 88 per cent of output targets have been achieved or are likely to be achieved in 2003.

70. *Promoting national ownership and participation.* A greater upstream focus on policy advisory services and capacity development has enhanced the organization's poverty reduction role. UNDP has engaged civil society organizations, community groups and the private sector in national PRSP processes. It has also achieved significant results in helping countries to incorporate the PRSP process within national policy and planning frameworks and ensuring that short-term results are evaluated within the longer-term framework of the MDGs. At the request of the Government of Guyana and the donor community, including the international financial institutions, UNDP provided substantive and logistical support for the process of public review, consultations, and finalization of the PRSPs, thereby ensuring transparency, public approval and support. In Ethiopia, the national MDG report has become a key resource for PRSP assessment. UNDP has supported public information campaigns, built up the capacity of PRSP steering committees and helped to prepare plans for civil society participation, moving increasingly to help NGOs to play a substantive role in the PRSP process. In Chad, NGOs provided direct inputs into the PRSP with UNDP assistance; in Zambia, UNDP supported a consortium of NGOs to write their own position papers for the PRSP process and hold a poverty forum to present their views.

71. *Improving the capacity to measure human and income poverty.* UNDP has helped to broaden the definition of poverty to incorporate human poverty dimensions and lack of income. In many countries, it has promoted the development of comprehensive monitoring systems that can track both income and human poverty, provide disaggregated data for regions or social groups, and incorporate MDG indicators. It has also supported the evaluation of the impact of poverty reduction strategies, such as in Ghana, Kenya, Nepal and Sierra Leone. Key contributions include: helping to develop socio-economic databases; preparing poverty-focused human development reports; conducting surveys in collaboration with local governments; involving NGOs in participatory poverty assessments; developing systems to measure changes in the condition of women within PRSP frameworks; and making PRSP-related information available on the Internet. In the United Republic of Tanzania, UNDP has helped the Government to devise a poverty monitoring master plan; in Armenia, support focused on establishing an innovative, rapid poverty-monitoring survey to gauge poverty conditions at the local level. In Latin America, together with the Economic Commission for Latin America and the Caribbean, the Inter-American Development Bank and the World Bank, UNDP support a comprehensive programme to support permanent systems of household surveys to measure living standards; Argentina, Paraguay, Peru, Bolivia, Nicaragua, Honduras, Guatemala, El Salvador, Panama, Dominican Republic and Haiti already show important progress.

72. *Fostering policy dialogue and choice.* UNDP has strengthened its support for national ownership of the PRSP process and other poverty reduction strategies by providing more innovative policy advisory services, and stimulating broader and more informed policy dialogue on key poverty-related issues. The organization has been designated in a number of countries as the lead donor for the PRSP process or as the lead agency for the coordination of poverty reduction support. In Pakistan, UNDP contributed to setting up the Centre for Research on Poverty Reduction and Income Distribution in order to provide more policy-oriented research to the Planning Commission. In South Africa, UNDP introduced practices from other countries to help design a major national anti-poverty initiative. In Bangladesh, Cambodia, China, Indonesia, Nepal, Sri Lanka and Viet Nam, UNDP has provided practical policy recommendations to the governments on pro-poor economic policies.

73. *Aligning assistance with the strategic priorities of the PRSPs and MDGs.* In Ghana, a prominent feature of the first MDG report is the close link between the MDGs and the national PRSP. All eight MDGs are essentially

reflected in the paper, and baseline indicators for the MDGs are to be established in common with the PRSP targets, enabling synchronized reporting. In Uganda, the Government and external partners have agreed that the MDGs will be mainstreamed in the 2003 revised poverty eradication action plan, which is the country's strategic development framework. In Viet Nam, UNDP has led the way in helping to ensure that the PRSP reflects the MDGs and gender dimensions. With resources made available in 2002 by the thematic trust fund for poverty reduction, UNDP has been accelerating the alignment of its poverty-related support with national policy frameworks – instead of project-level activities – and with the PRSPs and MDGs in particular. Over 80 per cent of trust fund resources were allocated to national policy frameworks, either directly for pro-poor policies, for poverty or MDG monitoring of such frameworks. With trust fund support, Nepal has been able to perform a poverty assessment linked to the MDGs, and Haiti has conducted a qualitative survey of poverty.

C. Bridging the gap between relief and development

74. In conflicts and natural disasters throughout the world, UNDP plays a pivotal role in bridging the gap between relief and development. It does so by supporting the creation of more stable political and security environments as a precondition for development and assisting in the establishment of early crisis response activities with a longer-term development perspective.

75. *Building the peace*. To promote political stability, UNDP has been actively engaged in assisting peace-building negotiations in Colombia, the former Republic of Yugoslavia, Guatemala, Guinea, Papua New Guinea and Somalia. In Nepal, UNDP worked with an array of partners under the national framework for relief, rehabilitation and reconciliation, which is helping to heal a fractured society and address the root causes of ongoing disturbances. To support peace-building through the creation of secure environments, UNDP provides assistance in the areas of transitional justice and security sector reform; small arms reduction, disarmament, demobilization and reintegration of ex-combatants; and mine action.

76. To support transitional justice and security sector reform in Afghanistan, UNDP contributed to strengthening law enforcement through the payment of police salaries. This support enabled the Minister of Interior to take command and start building an Afghan-owned security apparatus. Complementary to its assistance in the security sector, UNDP supported the setting up of the Judicial Commission tasked to rebuild the justice system. In the Republic of the Congo, as the only international organization with links to the Follow-up Committee to the cease-fire accords, UNDP has helped to set up institutions for justice, human rights and a new parliament, and promoted the role of women in peace and democratization.

77. In small arms reduction, disarmament, demobilization and reintegration, UNDP focuses on reducing the impact of armed violence. In partnership with the European Union and other donors, UNDP supported the reintegration of ex-combatants and the rehabilitation of rural communities in the Republic of the Congo, allowing the return to normal life of close to 8 000 ex-combatants and the destruction of 12 000 weapons. Successful pilot initiatives have been started in the northern region of Niger in tandem with the Government of France and UNV volunteers, leading to the demobilization of 660 ex-combatants. In Afghanistan, UNDP and the United Nations Assistance Mission in Afghanistan supported the Government in developing a disarmament, demobilization and reintegration programme for which more than $40 million have been contributed by the Governments of Canada, Japan and the United Kingdom. An estimated 100 000 ex-combatants are expected to benefit from this programme.

78. In mine action, UNDP focuses on a long-term development perspective and assists 20 countries in building national and local capacities to address the socio-economic consequences of landmine contamination. In Croatia, UNDP supported the creation of a Mine Action Centre, which conducts and coordinates the full range of mine action services required to meet national expectations and international obligations of the Croatia Without Mines Foundation by 2010. With national capacity in place, UNDP is now phasing out its technical support. In Lao People's Democratic Republic, UNDP helped to organize expert training for UXO LAO, the unexploded ordnance organization. In the context of South-South cooperation, the UXO Lao Executive Steering Committee also

undertook a study visit to Cambodia where UNDP assistance to the Cambodia Mine Action Centre has increased the capacity of the organization. Backed by a host of partners and funding from ten donors, UNDP has also been instrumental in establishing a national management structure to coordinate the mine action programme in Yemen. Support for the Yemen Executive Mine Action Centre resulted in a drop in the national rate of landmine incidents by more than 60 per cent.

79. *Integrating immediate and strategic development responses*. For societies embroiled in conflict or suffering a natural catastrophe, development work must begin in parallel and close coordination with immediate relief assistance. UNDP increasingly contributes its development expertise to early recovery initiatives, in addition to coordinating United Nations system recovery and longer-term development activities. In Afghanistan, UNDP built on its experience in the country and the watching briefs (monitoring) process conducted in partnership with the World Bank, and became one of the lead agencies for the initial needs assessment for reconstruction in Afghanistan. In close collaboration with the Special Representative of the Secretary-General for Afghanistan, UNDP mobilized over $73 million to cover the initial expenses of the fledgling Afghan Interim Authority, including all civil servant salaries, the convention of the Emergency *Loya Jirga*, emergency repairs of ministerial buildings and the setting up of special commissions under the Bonn Agreement. Building on the initial support funded from the Afghan Interim Authority Fund, UNDP continues to provide support to the civilian police and the special commissions.

80. After a devastating border conflict in Eritrea, UNDP channelled $28 million to deliver assistance to the affected populations with speed and efficiency while ensuring ownership of interventions. Since 2000, this assistance has resulted in the rehabilitation of houses, schools, health facilities, water supply structures and the promotion of sustainable livelihoods to over 12 600 households, laying the grounds for a larger emergency reconstruction programme developed in partnership with the World Bank and a number of bilaterals. UNDP further played a major role in coordinating the UNDAF and co-chaired the thematic group on recovery with the Office of the United Nations High Commissioner for Refugees (UNHCR). Progress has also been made in war-affected municipalities in the Kosovo administrative borderline through the implementation of the Civil Plan, which redresses grievances about past neglect and discrimination, and stipulates investments in the repair and renovation of the decayed infrastructure.

81. UNDP is working closely with multilateral partners to advance transition policy frameworks. In Eritrea and Sri Lanka, UNDP worked with the World Bank and UNHCR on repatriation, reconciliation and recovery, focusing on a smooth transition from relief to development in post-conflict situations. With the World Bank, UNDP works on the Multi-Country Demobilization and Reintegration Programme in Angola and the Democratic Republic of the Congo, and on the low income country under stress (LICUS) initiative in four pilot countries in Africa.

82. UNV volunteers play an increasingly crucial role in crisis countries. For three years in East Timor, more than 3 000 UNV volunteers from over 100 countries helped the East Timorese rebuild their country, offering skills from more than 150 professional fields, including democratic governance, electoral assistance, community empowerment, humanitarian relief, and administrative and logistical support for United Nations system operations, including for organizations such as UNFPA, UNHCR, UNICEF and the World Food Programme. UNV involvement in East Timor provides an illustrative example of the services that UNDP, through UNV, provides to the United Nations peace-building efforts.

D. Putting gender at the centre of development

83. Since the Fourth World Conference on Women, held in Beijing in 1995, the advancement of women has been highlighted as essential to development and poverty reduction, and indeed a goal in itself. At UNDP, gender equality is a cross-cutting goal that appears in a wide array of strategies and programmes. Globally, 90 countries report gender initiatives. Between 2000 and 2002, key UNDP interventions have targeted policy-setting, capacity-

building and mainstreaming of gender. Overall output performance was strong, with 85 per cent of output targets achieved or likely to be achieved in 2003.

84. *Developing policies, laws and advocacy*. UNDP has helped to advocate and frame national gender policies in many countries, providing technical expertise, drafting gender analysis formats and reviewing policy documents. Countries that have benefited from this service include Ghana, Djibouti, Myanmar and Ukraine. Some governments have agreed to mainstream gender in national budgets. Malaysia, for example, has begun piloting work in this area, while Botswana has provided training on it for members of parliament. Other countries have requested support for compiling gender-disaggregated statistics – on which the *Feminization of Poverty Report* issued by UNDP has generated wide awareness. The organization has also helped to ensure that sectoral analyses and poverty profiles in poverty reduction strategies are gender-disaggregated in countries such as Kenya and Paraguay.

85. With respect to legal transformation, because changes in laws often have a lasting impact on a people, UNDP has supported the monitoring of legislation and the drafting of new bills on land entitlements, marriage and social security, among other issues. Nigeria passed a law banning female genital mutilation (FGM), and Vanuatu agreed to provide poor women with free legal aid. UNDP has also undertaken numerous public awareness campaigns related to women's rights, including on domestic violence, the trafficking of women and children, and FGM.

86. *Building capacity*. Especially in the area of gender data collection and analysis, capacity-building can be a powerful weapon in the battle for gender equality. Tying decision-making to concrete gender assessments improves targeting of resources, reduces duplication and strengthens coordination of programmes. Since many countries still lack the capability to collect data on women, UNDP has invested significant resources in devising tools such as gender databases and updated national baseline studies. In the Libyan Arab Jamahiriya, for example, a nationwide local development-mapping project included gender assessments and data. Nepal conducted a gender audit of its ministries of finance, health, education and agriculture. In Ecuador, UNIFEM is working with UNDP to train the national police's elite force in intervention on gender and human rights issues.

87. Capacity-building support has also gone towards training programmes on human rights conventions, gender and macroeconomic policies, and responses to sexual and gender violence. UNDP has specifically reached out to civil society, the media and academics, with training on issues such as gender and peace-building, domestic violence and media policy. In the Arab States region, UNDP has trained women – both young business leaders and those participating in microfinance programmes – on business strategies and ICT.

88. Worldwide, UNDP has enriched the gender debate by conducting studies on key gender issues, such as the role of women in political decision-making and the value of women's unpaid labour. Within country offices, project staff have built their own capacity through extensive training on gender-mainstreaming methodologies.

89. *Mainstreaming*. Gender mainstreaming at UNDP has involved supporting national mainstreaming action plans and securing commitments to women's advancement across poverty reduction strategies. UNDP has assisted government representatives to mainstream gender in budget mechanisms and undertake gender budget analyses in line ministries. In Morocco, gender focal points were set up throughout national ministries, while the "Public expenditure review enhancing the effectiveness of public expenditures" for Cambodia became probably the first in the world to devote an entire chapter to gender mainstreaming.

90. Online networks have been set up to share and disseminate information among governments, parliaments, NGOs and international organizations, while gender courses have been introduced in leading universities. The *Human Development Report* also continues to integrate gender issues, as have a number of regional and national human development reports.

91. Ensuring implementation and reporting on the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW) has been another pillar of UNDP gender work in countries including Armenia, Bhutan, Namibia, North Korea, and Trinidad and Tobago. With other United Nations partners, UNDP has supported governments in preparing CEDAW reports and made a concerted effort to ensure the incorporation of CEDAW principles in measuring progress on commitments made at the conference Women 2000: Gender, Equality, Development and Peace for the Twenty-first Century, or Beijing+5.

92. UNDP works closely on gender issues with UNIFEM. The two have collaborated on strengthening local women's organizations, while UNIFEM has helped UNDP by developing a capacity-building strategy for mass media. UNDP in turn facilitated a mission by UNIFEM to survey initiatives to curb violence against women. In Egypt, UNIFEM and UNDP collaborated on a capacity-building project with the National Council for Women in Egypt in order to mainstream gender in different areas and develop the capacity of the council's technical secretariat. UNDP partnerships on gender also span the gamut of United Nations organizations, and extend to other international institutions, local NGOs and donor governments. Cost-sharing arrangements with Children Associated with War and the Forum for African Women Educationalists have supported various gender-focused projects. The Arab Network of Gender and Development emerged through a partnership with UNDP and the World Bank. UNDP, UNFPA and UNICEF have jointly backed initiatives targeting women on health, population and development.

E. Access to resources and sustainable management of the environment

93. In the 1990s, a significant international consensus emerged on the importance of sustainable development, which strikes a balance between the needs of people and the health of the environment that supports them. UNDP now works on environmentally sustainable development issues in virtually all programme countries. Fifty-six country offices considered their achievements related to environmental management during 2000-2002 to be performance highlights. Twenty-one country offices reported critical achievements in assisting countries working on strategies, policies and action plans for sustainable development. Further work is being undertaken through global programmes in support of global-conference–related activities and through specific projects such as the joint Poverty and Environment Initiative with the European Commission. Since the livelihoods of the poorest are intrinsically linked to their surrounding natural resources and environment, the joint initiative has identified concrete policy recommendations and practical measures that address the eradication of poverty in developing countries by fostering sustainable livelihoods, while also protecting the environment.

94. Overall, UNDP focuses on helping countries to meet international commitments; build capacities for sustainable natural resource management; mobilize partnerships and encourage local participation in natural resource management. Across the globe, the even spread of UNDP support for environmental policy frameworks in particular reflects broad appreciation of their value. Among 54 countries assisted on policy frameworks, there were 16 least developed countries, 15 low income countries and 17 middle income countries. Regionally, this service was requested by 17 countries in Africa, 12 in Asia and the Pacific, 12 in Latin American and the Caribbean, 8 in Europe and the CIS, and 5 in the Arab States.

95. *Creating national strategies and action plans.* During the MYFF period, UNDP has helped countries to prepare strategies and action plans on a broad array of sustainable development issues. The Czech Republic, Hungary and Slovakia have geared efforts towards the adoption of managing energy efficiency in the public sector. In Bolivia and Jamaica, UNDP supported a consultative process including civil society and government for the design and approval of national biodiversity strategies. India established participatory planning for biodiversity conservation, constituting a national, state and sub-state network of 74 agencies. Malaysia and South Africa introduced environmentally sound dimensions to pro-poor tourism planning and management, while Ethiopia and Uganda helped to combine planning on poverty alleviation and the environment. In Haiti, UNDP has supported local authorities and community-based groups to elaborate strategies and local sustainable development plans. In Zimbabwe, efforts to mainstream the environment into local development planning were piloted in eight districts, and the Government is now replicating this experience nationwide. Extension of a UNDP-supported initiative also took place in Bangladesh, where integrated pest management based on appropriate technologies has become a national effort. National strategies and action plans can be an important first step towards stronger legislative and policy frameworks. UNDP assisted over 50 countries to prepare national action programmes to combat desertification and is now helping some of them to implement their programmes. With UNDP support, under the Montreal Protocol programme, 16 countries approved their national and sectoral plans to eliminate ozone-depleting substances.

96. *Building stronger legislation and policies.* UNDP has also sought ways in which to advocate and assist the development of national legislation and policies that can implant a long-term sustainable development agenda. In Yemen, support to water resources management and the National Water Resources Authority resulted in amendments to the water law. South Africa registered impressive results in mainstreaming environmental objectives by "greening" the national budget. In Djibouti, UNDP backed a national action plan on the environment that resulted in updated environmental protection laws. With UNDP support, the Dominican Republic established a new environmental law and a Ministry of the Environment and Natural Resources. Assistance to El Salvador helped to establish a national framework on access to genetic resources. Focusing on using energy as an instrument to facilitate poverty reduction and sustainable development, country offices provided policy support to promote energy efficiency, renewable energy and cleaner fossil fuel technology directed at mitigating the emissions of greenhouse gases and at extending energy services to rural areas as a means to promoting local development.

97. *Global Environment Facility (GEF).* UNDP has succeeded in promoting conservation of 26.8 million hectares of some of the most biologically important places on earth and in supporting operations in 285 protected areas worldwide. In tackling climate change, UNDP provided capacity-building support and technical assistance for mitigation projects in 111 countries. UNDP has helped to mainstream climate change into the development priorities of governments. During 2000-2003, UNDP continued to play a leading role in mobilizing GEF funds to develop the capacity of countries to meet international commitments. Notably, UNDP is supporting 113 countries in building links between various international environmental conventions through national capacity self-assessments, and is assisting more than 30 least developed countries in preparing national action plans to adapt and respond to climate change.

F. Responding to HIV/AIDS in sub-Saharan Africa

98. In just two decades, HIV has infected nearly 70 million people worldwide. Forty-two million are living with HIV/AIDS and over 25 million have died. Without decisive action, not only will the international community fail to achieve the Millennium Development Goal of reversing the spread of the disease, but also the number of people infected will likely double in less than a decade. A horrific fall in life expectancy in some countries is threatening the survival of communities and the viability of entire economies, stripping the ranks of people in their most productive years. In most countries in southern Africa, the most affected sub-region, adult mortality rates have doubled and life expectancy has dropped by about 20 years, reversing gains made in human development in the 1980s.

99. As a long-time partner of developing country governments and civil society groups, UNDP is uniquely positioned to help to coordinate an effective response to the epidemic. Distinct from other United Nations organizations, UNDP focuses on assisting developing country governments to meet the tremendous governance challenges posed by the epidemic. In sub-Saharan Africa, UNDP supports 29 countries on HIV/AIDS work. Nineteen country offices and the regional programme reported significant achievements during 2000-2002 in leadership and capacity development, strategic planning, advocacy and galvanizing United Nations system initiatives. UNDP also played a key role in mobilizing governments and civil society to participate meaningfully in the 2001 United Nations General Assembly Special Session on HIV/AIDS.

100. *Strengthening leadership and capacity development.* In countries where HIV/AIDS has quickly become the most serious development crisis, strong leadership and capacity to take action will be critical to staunching the epidemic's deadly spread. In Ethiopia and South Africa, UNDP rallied leaders from government, civil society, faith-based organizations and the media under the Leadership Development Programme to mount a sustained nation-wide campaign for collective action to enhance leadership qualities, examine ways in which to focus programmes on achieving results, and expand dialogue on addressing the fundamental factors fuelling the spread of the epidemic. UNDP assisted in formulating national strategic plans and frameworks in Botswana and Zimbabwe among others; establishing a new ministry in Côte d'Ivoire; and strengthening national AIDS councils or similar bodies in countries including Burundi, Kenya and Zambia. In Burkina Faso, the entire United Nations

system worked together with country partners on finalizing its strategic framework for HIV/AIDS control and action. Since communities are the hub of the response, UNDP supported South Africa in making HIV/AIDS part of integrated local development plans. In Kwa Zulu Natal, trained facilitators helped local communities to begin addressing underlying factors that fuel the epidemic, and set up prevention, care and treatment programmes. In 2001-2002, the UNDP HIV/AIDS Response Group supported the governance structures of seven major civil society networks and the process of legislative development in ten sub-Saharan African countries.

101. *Conducting advocacy and communications campaigns.* Awareness can play a tremendous role both in helping people to prevent the spread of HIV/AIDS and in informing appropriate responses to those already infected. Several UNDP-sponsored national human development reports have now been published on the theme of HIV/AIDS, including in Burkina Faso and in Botswana, where the report convinced the Government to begin offering anti-retroviral drugs. The Regional Programme on HIV/AIDS in Africa provided training programmes and a manual that equipped journalists with facts on HIV/AIDS, enabling them to sharpen their journalistic skills and produce accurate, hard-hitting stories. UNDP country offices supported training for police, prison officers and prosecutors in the United Republic of Tanzania; the introduction of HIV/AIDS as a human rights issue in Zambia; and the development of a code of ethics and conduct for the civil service in Ethiopia. In a number of countries in Africa, Asia and the Pacific, and Latin America and the Caribbean, UNV volunteers, including people affected by HIV/AIDS, are helping to reduce the stigma of those infected and are establishing new role models for communities under the Greater Involvement of People Living with HIV/AIDS concept.

102. *Galvanizing combined United Nations efforts.* In its capacity as a coordinator and mobilizer of resources, UNDP has focused on bringing United Nations country teams together around HIV/AIDS. In South Africa, joint programmes covered a broad range of issues, leading to the development of three interrelated initiatives on HIV/AIDS and poverty, gender and youth. UNDP mobilized the United Nations system in Swaziland to conduct a baseline study on HIV/AIDS for the CCA and UNDAF. In Malawi, the theme group on gender launched a joint programme on gender and the epidemic.

103. UNDP works in close partnership with the Global Fund to Fight AIDS, Tuberculosis and Malaria, launched in 2001 under the leadership of the Secretary-General. UNDP is currently managing Global Fund projects in Argentina, Benin, Haiti, Honduras, Panama, Tajikistan and Ukraine and focuses on building the capacity of local recipients for them to take over the management of Global Fund projects in the future.

G. Making information and communication technology work for development

104. ICT for development is a rapidly growing area at UNDP. By bringing together public and private partners to expand access – particularly in poor communities least likely to benefit from technology – affordable programmes are conceived that suit the needs of individual countries. Support in this area expanded from 16 countries in 2000 to 52 in 2002. Emerging from an initial focus on assessments and pilot projects, UNDP assistance has grown to encompass work on policy, capacity development, improving access and networking. Performance data for 2000-2002 reveal that 80 per cent of outputs have been achieved or are likely to be achieved by 2003.

105. *Creating policies.* Twenty-six countries have benefited from UNDP support in preparing their national ICT strategies and policies, including Albania, Libyan Arab Jamahiriya, Mauritania, Mozambique, Nepal, Paraguay, Poland, the Syrian Arab Republic, Swaziland, the United Republic of Tanzania and Uzbekistan. Bosnia and Herzegovina, the Syrian Arab Republic and Ukraine have embarked on e-readiness assessments, while Gambia and Kyrgyzstan have convened national ICT forums to tap into different perspectives on designing national ICT strategies. In Nepal and Uzbekistan, UNDP has helped in developing laws on e-commerce and e-governance. Nine national human development reports have further supported advocacy and policy support efforts.

106. *Developing capacity.* UNDP has worked with the Government in Jordan, local authorities in the former Yugoslav Republic of Macedonia and Turkmenistan, the Parliament in Lebanon, education specialists in China, and other groups that are pivotal to ICT promotion. Increasingly, UNDP provides sector-specific ICT support,

helping countries to address particular needs. ICT is used to modernize financial and debt management systems in Brazil and Georgia; set up national data collection in the Libyan Arab Jamahiriya and the United Arab Emirates; support the judiciary in Gambia; and facilitate customs procedures in Azerbaijan.

107. *Improving access to information.* In general, UNDP interventions have focused on putting technology within the reach of people who can subsequently use it to improve their lives. In Burkina Faso and Ethiopia, this means backing projects on ICT infrastructure and better connectivity; in Cameroon, UNDP has supported the creation of public Internet hubs. Web-based education and counselling services offer information on HIV/AIDS to youth in Romania, while business information centres in Belarus constitute a lifeline for small and medium enterprises. In Egypt, UNV played an instrumental role in UNDP support to technology access community centres through which under-serviced communities gained valuable access to information hitherto unavailable.

108. *Building networks and partnerships.* Cyber communities allow participants to exchange critical experiences and information quickly and regularly. UNDP has worked to establish these networks among various national actors in Mauritania, civil society in the former Yugoslav Republic of Macedonia and Ukraine, and local authorities in Lithuania. To enlarge the scope for support, the organization has also focused on strategic partnerships, which have been reached with private companies, including Microsoft, Hewlett-Packard, IBM and CISCO, and other development agencies. Partnerships with the Markle Foundation under the Global Digital Opportunity Initiative have engaged the public and private sectors in joint efforts to develop technology policies and applications for entrenched development problems. In China, there is a joint initiative underway with the Department for International Development of the Government of the United Kingdom on improving teaching in the poorest areas by using ICT and distance education. Several countries have set up significant cost-sharing agreements for ICT, including Egypt ($10 million), China ($7 million) and Mozambique ($5 million). At the global level, in forums such as the Millennium Project and the United Nations ICT Task Force, UNDP has worked to promote good practices on how ICT can contribute more effectively to development, especially in support of the MDGs and in the preparation of national ICT for development strategies.

H. Catalysing United Nations collaboration to achieve the Millennium Development Goals

109. Two major trends are shaping the future of UNDP operations. The MDGs and the Millennium Declaration provide a clear development focus for United Nations reforms, while harmonization and simplification hold the promise of turning the United Nations system into a more efficient and effective tool for development cooperation. Together, these two trends can reposition the United Nations system at the centre of the changing dynamic of development cooperation. By mandate, mission and experience, UNDP is strategically placed to help to make this possible, working closely with its partners in UNDG.

110. At the global level, the United Nations system and UNDP have responded swiftly to this opportunity. A first step was the designation of the Administrator, in his capacity as Chair of the UNDG, as coordinator for the MDGs in the United Nations system. This was followed by the preparation of a core United Nations strategy, coordinated substantively by UNDP. It rests on four pillars: research and analysis, monitoring, campaigning and operational activities. To enable rapid implementation, the strategy has been buttressed with a support programme managed by UNDP. As of April 2003, it had received income and firm pledges totalling $24.5 million, out of a request for $34 million over three years.

111. Each of the initiatives funded through the programme have already made major headway. The Millennium Project, which is one example, has already set up ten task forces bringing together leading experts from around the world, and made its first substantive contribution: background papers for the *Human Development Report 2003* devoted the MDGs. Together, UNDP and UNICEF prepared a report on Africa for the G8 Summit in 2002, and UNDP provided funding to the United Nations Economic and Social Council for Asia and the Pacific to draft an MDG report for Asia and the Pacific.

112. The acceleration of efforts is clear from the data. According to the ROAR 2001 (DP/2002/15), only 17 country teams were working specifically on the MDGs, mostly in monitoring. By the end of 2002, this number

had jumped to 57 country teams, and by the end of March 2003 had increased to more than 90, or two-thirds of the total. Thus far, about 30 MDG country reports have been issued and another 60 are in preparation. Although many of the first reports have been prepared by country teams, in consultation with national partners, the growing trend is to encourage and assist governments to take a lead role. Other noteworthy developments include a major UNDG workshop on the Millennium Campaign, a substantial media partnership with the BBC Trust, and steady progress towards assembling a strong campaign team, which should begin to make a significant difference in the next 12 to 18 months. Specific United Nations system activities to support the MDGs are outlined below.

113. *Backing MDG assessments.* Since the MDGs feature specific targets, many countries have begun working towards them by assessing current data and systems for collection and analysis. In Belize, Cambodia, Lithuania, Malaysia, Panama and Uzbekistan, the United Nations system has supported national data collection efforts by providing methodologies and information from the CCAs.

114. *Preparing national MDG reports.* The main purpose of the MDG country reports is to use empirical data to highlight agreed development priorities, to inform the public on progress, and to trigger action to meet time-bound targets. In 2002, joint United Nations activities assisted the preparation of comprehensive reports in a variety of countries, with an emphasis on participation from diverse stakeholders. The reports now focus policy analysis and debates on key national priorities in Bolivia and China; introducing MDG analysis at the sub-national level in Barbados; and catalysing local action plans in Nepal.

115. *Carrying forward advocacy.* Initiatives to encourage national adoption of the MDGs based on broad consensus have gained momentum. In launching the MDG reports, UNDP has campaigned on behalf of the goals through extensive media coverage in Albania, Bhutan, Kazakhstan and the Lao People's Democratic Republic; national and regional discussions in Albania and Viet Nam; and national forums for civil society and youth in Mauritius and Ukraine. To improve their own contributions to the MDGs, United Nations country teams have set up inter-agency working groups in Sierra Leone, Sri Lanka, Turkey and Zimbabwe; aligned the UNDAF with the MDGs in Albania, Burkina Faso and Djibouti; adopted a joint United Nations strategy in Azerbaijan; and mainstreamed an MDG focus into joint programmes in Morocco, Nepal, Uganda and the United Republic of Tanzania. In Cambodia, UNDP coordinated country team support for MDG advocacy nationwide, including through a high-profile public education campaign that has sparked discussions among national and international partners on democracy, gender, governance, human rights, partnerships for development, and poverty. In Mongolia, the President has played an active role in national advocacy efforts. A programme spelling out each goal and including interviews with the President, senior government officials and the Resident Coordinator was broadcast on national television.

V. Integrated resources framework 2000-2002

116. The integrated resources framework (IRF) presents an overview of the use of UNDP resources for the three-year period 2000-2002. The data are broken down by goals, sub-goals and resource categories. For 2001 and 2002, all reporting units were asked to chronicle estimated programme expenditures assigned to their intended outcomes, thus allowing for a greater degree of accuracy than was possible for 2000, when the IRF was based on estimates of expenditure by SRF sub-goal. The format for the three-year review is similar to the ROAR 2001, with one important change: the expenditure breakdown is now at both the thematic goal and sub-goal levels. This is presented in table 1 of the annex while the percentage distribution of expenditure by sub-goal is presented similarly in table 2.

117. *Programme expenditures.* The overall impact of lower regular resources continues to be felt. Overall, programme expenditures from regular resources during 2000-2002 amounted to $1 161 million, or $332 million (22 per cent) less than the three-year figure of $1 493 million estimated in the revised 2000-2003 IRF. In contrast, estimated 2000-2002 donor-funded programme expenditures from other resources (co-financing) amounted to $2 026 million. This was $165 million (9 per cent) more than the corresponding three-year estimate of $1 861 million, as per the revised 2000-2003 IRF, denoting that the positive trend in co-financing noted in the

ROAR 2001 has continued, by donors from the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) and by programme countries that channelled resources through UNDP to finance development programmes in their own country. A review of 2000-2002 estimated programme expenditures shows close to 60 per cent or $530 million of OECD/DAC regular resources were spent in least development countries (LDCs). Similarly, about 28 per cent or $469 million of donor funded other (non-core) resources (co-financing) were spent in LDCs, and less than 1 per cent, or $19 million, of locally funded government cost-sharing.

118. *Programme expenditures by SRF goal and sub-goal.* Table 2 of the annex shows that the greatest share of estimated country-level programme expenditures in 2000-2002 from combined donor and local resources were delivered in the areas of governance at 42 per cent ($2 230 million) and poverty reduction at 26 per cent ($1 379 million). The same pattern is found in LDCs, net contributor countries and other countries. Special development situations came third overall at 15 per cent ($817 million), followed by environment and gender at 15 per cent ($791 million) and 1 per cent ($70 million), respectively. While the estimated expenditures and percentages indicate the predominant share under each goal, it should be emphasized that these figures do not fully represent the proportion of resources actually dedicated by UNDP in each area. For example, the modest amount of resources captured under UNDP support to the United Nations and under gender must be interpreted with caution because they do not always reflect activities that are mainstreamed within other areas. In addition, UNDP received non-core funding from Japan for Women in Development Fund programmes in 21 countries.

119. The preponderance of expenditures under the governance goal reflects the high level of interest expressed by partners in UNDP services in this area. Twenty-seven per cent of OECD/DAC donor resources and 56 per cent of government cost-sharing were attached to governance work. Indeed, over 40 per cent of estimated expenditures from all government cost-sharing was concentrated under just one governance sub-goal: efficient and accountable public sectors.

120. Notably, the two areas that have attracted the highest proportion of UNDP regular resources during 2000-2002 are under the poverty reduction goal. Poverty reduction sub-goal one – human and income poverty addressed in national poverty frameworks – accounted for 20 per cent of UNDP total estimated expenditures from regular resources during 2000-2002. Poverty reduction sub-goal two – expanding and protecting the asset base of the poor – came in a close second, with 18 per cent of total expenditures from regular resources. Regular resources provide the essential base for UNDP programmes and constitute the means by which to secure the organization's ability to respond in a flexible way to the needs of programme countries.

Programme support, management/administration and support to United Nations operational activities

121. Programme support expenditures in 2000-2002 were estimated at $614 million, which was less than the corresponding estimated three-year target of $652 million in the revised IRF 2000-2003. The lower level is attributed to slightly increased government local office costs contributions, as well as the continued effect of the implementation of the 2002-2003 budget reductions. Of the $614 million in expenditures, 80 per cent derived from donor resources with the remaining 20 per cent from local resources.

122. Total estimated management and administration expenditures from donor funded regular resources amounted to $165 million, which is equal to the corresponding three-year target in the revised IRF 2000-2003. Estimated expenditures for United Nations operational activities (including programme related) amounted to $195 million. This was slightly less than the corresponding three-year target of $202 million in the revised IRF 2000-2003.

Total resources

123. The update on the multi-year funding framework and revised integrated resources framework (2000-2003) presented to the Executive Board in DP/2001/25 reflects the total resource prospects for the period. The initial

2002 and 2003 MYFF projections for donor funded regular resources, which were $1 billion and $1.1 billion, respectively, were subsequently adjusted to $800 million and $900 million, respectively, for a total of $1.7 billion for the period 2002-2003. Donor co-financing principally from OECD/DAC donors rose and is estimated to be around $1.3 billion in 2002-2003, while local resources – from government cost sharing – is expected to remain at existing levels with an estimated target of around $1.8 billion for 2002-2003. As noted in the budget estimates for the biennium 2002-2003 (DP/2001/21), UNDP has evolved to a multi-funded organization. While this trend will no doubt provide increasing levels of total resources and add to the organization's resource base, regular resources remain crucial to the work of UNDP.

124. Regular resources provide the funding base for the organization's country presence and country-driven programme focus, as well as for the UNDP country platform in support of the United Nations system and the resident coordinator function. While the downward trend in regular resources has reversed, current levels remain systematically below even the revised targets as detailed in the updated MYFF 2000-2003. Regular resources continue to be the life-blood of UNDP, which co-financing can supplement but not replace. It is therefore of paramount importance that UNDP is placed on a stable footing, fully recognizing the critical role of regular resources as the base.

VI. Conclusion

125. The analysis of data from this first MYFF provides a rich source of information that will feed into the development of the strategic direction of the new MYFF. The MYFF 2004-2007, to be presented to the Executive Board at its second regular session in September 2003, will take into account various factors including: the need to integrate instruments and objectives stemming from the reform processes of the Secretary General and Administrator; the country-driven demand and criticality of UNDP cooperation; effectiveness of results achieved as evidenced in the MYFF report and ROARs; the organization's comparative advantage and value added; and the potential for resource mobilization.

126. To reflect and internalize the importance of the MDGs as the cornerstone of the global development agenda, the new MYFF will articulate the UNDP contribution to the MDGs over the next four years. The new MYFF will build on the alignment with practices and complement the UNDG harmonization and simplification process. Such streamlined approaches and instruments will further improve results-orientation throughout the organization and in collaboration with partners.

127. While recognizing the remaining challenges, the content of this report suggests that UNDP has consolidated on the transformations of the last four years and is now better equipped to address these challenges. Indeed, the report provides solid evidence that the organization is well placed to pursue greater development effectiveness, which would greatly benefit from a strong resource base, in the years to come.

Table 1. Integrated resource framework 2000 - 2002

(millions of United States dollars)

Category	Programme					
			Donor resources		Local resources	
	GOALS (a)	SUBGOALS (a)	Regular resources	Other resources (co-financing)	Total donor resources	Other resources (government cost sharing)	Total
Country offices, including countries in crisis							
Least developed countries	G1: Governance	G1-SGN1: Dialogue that widens development choices	28	15	43	6	49
		G1-SGN2: Key governance institutions	28	43	71	0	71
		G1-SGN3: Local governance	108	56	164	2	166
		G1-SGN4: Public sector	37	8	45	2	47
	G2: Poverty	G2-SGN1: National poverty frameworks	116	36	152	1	153
		G2-SGN2: Access to assets	95	32	127	7	134
	G3: Environment	G3-SGN1: Environment and energy for livelihoods	53	77	130	0	130
		G3-SGN2: Instruments for env. sustainable development	3	17	20	0	20
	G4: Gender	G4-SGN1: Gender equality	13	0	13	0	13
		G4-SGN2: Implementation of global commitments	5	0	5	0	5
	G5: Special development situations	G5-SGN1: Disaster reduction	6	4	10	1	11
		G5-SGN2: Conflict prevention and peace-building	38	181	219	0	219
Subtotal, least developed countries			530	469	999	19	1 018
Other countries	G1: Governance	G1-SGN1: Dialogue that widens development choices	52	51	103	79	182
		G1-SGN2: Key governance institutions	25	65	90	77	167
		G1-SGN3: Local governance	37	34	71	102	173
		G1-SGN4: Public sector	32	50	82	655	737
	G2: Poverty	G2-SGN1: National poverty frameworks	79	82	161	31	471
		G2-SGN2: Access to assets	77	56	133	312	445
	G3: Environment	G3-SGN1: Environment and energy for livelihoods	47	162	209	151	360
		G3-SGN2: Instruments for env. sustainable development	9	171	180	11	191
	G4: Gender	G4-SGN1: Gender equality	17	11	28	12	40
		G4-SGN2: Implementation of global commitments	4	8	12	0	12
	G5: Special development situations	G5-SGN1: Disaster reduction	9	56	65	95	160
		G5-SGN2: Conflict prevention and peace-building	23	365	388	38	426
Subtotal, other countries			411	1 111	1 522	1 842	3 364
Net contributor countries	G1: Governance	G1-SGN1: Dialogue that widens development choices	1	5	6	117	123
		G1-SGN2: Key governance institutions	0	(1)	(1)	22	21
		G1-SGN3: Local governance	0	4	4	8	12
		G1-SGN4: Public sector	0	33	33	449	482
	G2: Poverty	G2-SGN1: National poverty frameworks	0	0	0	35	35
		G2-SGN2: Access to assets	0	3	3	138	141
	G3: Environment	G3-SGN1: Environment and energy for livelihoods	1	20	21	64	85
		G3-SGN2: Instruments for env. sustainable development	0	4	4	1	5
	G4: Gender	G4-SGN1: Gender equality	0	0	0	0	0
		G4-SGN2: Implementation of global commitments	0	0	0	0	0
	G5: Special development situations	G5-SGN1: Disaster reduction	0	1	1	0	1
		G5-SGN2: Conflict prevention and peace-building	0	0	0	0	0
Subtotal, net contributor countries			2	69	71	834	905
All country offices	G1: Governance	G1-SGN1: Dialogue that widens development choices	81	71	152	202	354
		G1-SGN2: Key governance institutions	53	107	160	99	259
		G1-SGN3: Local governance	145	94	239	112	351
		G1-SGN4: Public sector	69	91	160	1 106	1 266
		Subtotal	348	363	711	1 519	2 230
	G2: Poverty	G2-SGN1: National poverty frameworks	195	118	313	346	659
		G2-SGN2: Access to assets	172	91	263	457	720
		Subtotal	367	209	576	803	1 379
	G3: Environment	G3-SGN1: Environment and energy for livelihoods	101	259	360	215	575
		G3-SGN2: Instruments for env. sustainable development	12	192	204	12	216
		Subtotal	113	451	564	227	791
	G4: Gender	G4-SGN1: Gender equality	30	11	41	12	53
		G4-SGN2: Implementation of global commitments	9	8	17	0	17
		Subtotal	39	19	58	12	70
	G5: Special development situations	G5-SGN1: Disaster reduction	15	61	76	96	172
		G5-SGN2: Conflict prevention and peace-building	61	546	607	38	645
		Subtotal	76	607	683	134	817
Total, all country offices			943	1 649	2 592	2 695	5 287
Other (f)			202	368	570	(4)	566
Total			1 145	2 017	3 162	2 691	5 853
Management and administration							
Support to United Nations Programme activities (h)							
Least developed countries	G6: United Nations support	G6-SGN1: Global conference goals	3	0	3	0	3
		G6-SGN2: Effective operational activities	6	7	13	0	13
Other countries	G6: United Nations support	G6-SGN1: Global conference goals	3	1	4	1	5
		G6-SGN2: Effective operational activities	4	1	5	2	7
Net contributor countries	G6: United Nations support	G6-SGN1: Global conference goals	0	0	0	0	0
		G6-SGN2: Effective operational activities	0	0	0	0	0
Subtotal			16	9	25	3	28
Programme support to resident coordinator system							0
Country offices							0
DOO							0
IAPSO							0
UNV (net)							0
Total			16	9	25	3	28
Grand total			1 161	2 026	3 187	2 694	5 881

Notes

(a) Distribution per goal based and adapted on relative proportions derived from estimated expenditure data submitted by country offices in their IRFs.

(b) Includes programme support/country offices at $71 million, and programme support/headquarters $23 million.

(c) Includes programme support/country offices at $90 million, and programme support/headquarters $30 million.

(d) Excludes management and administration for other resources, which amounts to $22.6 million.

(e) Does not reflect other resource activities for IAPSO and UNV.

(f) Covers, both for regular and other programme resources, regional and global programmes and other (Evaluation, TCDC, Programme of Assistance to the Palestinian People, Central America, Development Support Services, etc.).

(g) Covers, for this column only, budget related to Programme of Assistance to the Palestinian People.

(h) Programme resources applied to provide effective UNDP support to the United Nations agenda for development.

Abbreviations: DOO - Development Group Office; GLOC - Government contributions to local office costs; IAPSO - Inter-Agency Procurement Services Office; UNV - United Nations Volunteers

Table 1. Integrated resource framework 2000 - 2003 (continued)

(millions of United States dollars)

Programme support										
Direct resources						Local resources		Management and administration	Support to United Nations operational activities	Grand total
Regular resources				Other resources (co-financing)	Total direct resources	Other resources (government cost sharing)	Total	Direct resources	Direct resources	
Country offices	Headquarters	GLOC and others	Total	(b)		(c)		Regular resources (d)	Regular resources (e)	
167	49	(17)	199	24	223	0	223			1 241
195	32	(38)	189	50	239	83	322			3 686
7	0	(9)	(2)	3	1	37	38			943
369	81	(64)	386	77	463	120	583	0	0	5 870
9 (g)	5	0	14	17	31	0	31			597
378	86	(64)	400	94	494	120	614	0	0	6 467
								160		160
										3
										13
										5
										7
										0
										0
										38
						0			21	21
						0			131	131
						0			3	3
						0			4	4
						0			36	36
0	0	0	0	0			0	0	199	237
378	86	(64)	400	94	494	120	614	160	199	6 898

Table 2. Estimated programme expenditures by subgoal, 2000-2002 (percentages)

Goal	Subgoal	Subgoal description	Regular resources	Other resources (co-financing)	Total donor resources	resources (government cost sharing)	Total
G1-Governance	G1-SG1	National, regional and global dialogue and cooperation that widen development choices for sustainable and equitable growth	8%	4%	6%	7%	7%
	G1-SG2	Strengthened capacity of key governance institutions	6%	6%	6%	4%	5%
	G1-SG3	Increased social cohesion based on participatory local governance and stronger local communities and institutions	15%	6%	9%	4%	7%
	G1-SG4	An efficient and accountable public sector	7%	5%	6%	41%	24%
			36%	22%	27%	56%	42%
G2-Poverty	G2-SG1	Human and income poverty addressed in national policy frameworks	20%	7%	12%	13%	12%
	G2-SG2	The asset base of the poor expanded and protected (human, physical and financial)	18%	5%	10%	17%	14%
			38%	13%	22%	30%	26%
G3-Environment	G3-SG1	Sustainable environmental management and energy development to improve the livelihoods and security of the poor	11%	16%	14%	8%	11%
	G3-SG2	Regional and global instruments that promote environmentally sustainable development and benefit the poor	1%	12%	8%	0%	4%
			12%	27%	22%	8%	15%
G4-Gender	G4-SG1	Gender equality in the decision-making process at all levels	3%	1%	2%	0%	1%
	G4-SG2	Advancement of women through the implementation of global commitments	1%	0%	1%	0%	0%
			4%	1%	2%	0%	1%
G5-Special development situations	G5-SG1	Reduced risk of disasters in programme countries	2%	4%	3%	4%	3%
	G5-SG2	Conflict prevention, peace-building and sustainble recovery and transition in countries emerging from crisis	6%	33%	23%	1%	12%
			8%	37%	26%	5%	15%
G6-United Nations support	G6-SG1	Accelerated progress on the global agenda for development (including follow-up to global conferences)	1%	0%	0%	0%	0%
	G6-SG2	Increasingly collaborative, efficient and effective operational activities for development	1%	0%	1%	0%	0%
			2%	1%	1%	0%	1%
			100%	100%	100%	100%	100%

Please note that the totals may add up to more or less than 100 per cent as a result of rounding off.
Source: IRF submissions of UNDP country offices, 2000-2002

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2002 Results-oriented annual report of the United Nations Capital Development Fund

Summary

This is the third results-oriented annual report (ROAR) of the United Nations Capital Development Fund (UNCDF), produced in compliance with Executive Board decision 99/22. The report captures the results achieved in 2002 within the UNCDF strategic results framework (SRF) for 2000-2003.

In line with Executive Board decision 99/22, UNCDF investments and capacity building services are concentrated in two areas – local governance and microfinance. The organization's overall goal of contributing to poverty reduction is served by three sub-goals, defined in the 2000-2003 SRF as follows:

(1) to increase sustainable access of the poor to basic infrastructure and public services, as well as to productive livelihoods opportunities, through good local governance and enhanced natural resources management;

(2) to increase access of the poor, especially women, to financial services on a sustainable basis through strengthened microfinance institutions and an enabling environment; and

(3) to promote a financially sound organization which develops and implements quality programming in local governance and microfinance.

Sub-goals (i) and (iii) have direct parallels in the SRF of the United Nations Development Programme (UNDP).

This report assesses the performance of the organization in terms of the achievement of annual targets under each sub-goal. In addition, the 2002 ROAR is formulated in a more management-oriented manner, covering the key results produced by the organization, the main challenges and the way forward.

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I. Introduction

1. In 2002, the operational activities of the United Nations Capital Development Fund (UNCDF) were severely affected by the low level of contributions to its core resources. With annual contributions in the order of $22.3 million, far short of the target of $30 million endorsed by the Executive Board in its decision 2002/26, UNCDF was obliged to reduce its expenditures significantly. Starting with a planned budget of about $40 million based on previous years' programme commitments, UNCDF had to align target programme expenditures with actual resources available, ultimately resulting in a total expenditure from core resources of $22.7 million – a reduction of about a third compared with 2001. The consequences on the ground were severe for the programme countries affected. However, due largely to the efforts of project staff and local partners, the impact was minimized to a point where the inevitable reduction in performance was less than proportional to the reduction in programme expenditure.

2. In decision 2002/26, the Executive Board recognized the excellence of the results produced on the ground by UNCDF and the consistency of its mission with the principal poverty reduction objective of the Millennium Development Goals (MDGs). The Board also reaffirmed the unique role played by UNCDF within the international development financing architecture as a small-scale multilateral investment organization in support of the least developed countries (LDCs), as well as its relevance to the implementation of the Brussels Programme for Action for the Least Developed Countries for the Decade 2001-2010 endorsed by the United Nations General Assembly in 2001 (A/RES/55/279). UNCDF contributes directly to the implementation of five of the seven commitments contained in the Brussels Programme for Action (A/CONF/191/11). UNCDF investments foster a people-centred approach, promote good governance at national and local levels, reinforce human and institutional capacities, reduce vulnerability, and protect the environment. UNCDF activities are geared to mobilizing additional financial resources. In the same decision, the Executive Board noted that the current level of UNCDF resources falls far below the demand of programme countries for its investment and capacity building services. This situation will have to be improved.

3. UNCDF will continue to ensure the financial integrity of the Fund. However, it will be unable to continue to deliver programmes and services effectively if resources continue to decline. UNCDF has forged effective partnerships to ensure the sustainability of its investments, and, at the request of programme countries as well as donor partners, UNCDF has provided technical advisory services, on a cost-recovery basis, to support the replication of its pilots in local governance and microfinance. At the same time, in the spirit of United Nations Secretary-General's call for harmonization of United Nations activities, UNCDF has pursued partnerships with other United Nations agencies to ensure complementarity and avoid duplication. The local governance and microfinance operations of UNCDF directly support two of the six practice areas of its principal partner, UNDP – democratic governance and poverty reduction. Recognizing that it will never be affluent, UNCDF has strategically emphasized its comparative advantage as a piloting organization, using resources as seed money to help programme countries launch new initiatives and to attract further investments when results are produced. UNCDF increased the recorded incidences of policy impact and replication, and the amount of non-core resources has tripled. While UNCDF has demonstrated its effectiveness in achieving concrete results on the ground through replication by other development partners, it will require a minimum critical mass of core resources ($30 million per year) to fulfill its mandate in a manner responsive to programme countries.

II. Results, challenges and the way forward

4. The performance of UNCDF in 2002 must be assessed in the context of the significant reduction in programme expenditures necessitated partly by the unrealized target for core contributions. The report uses the established methodology of measuring end-of-year results against targets set at the beginning of the year on the basis of prior commitments, thus capturing the full impact on programmes of the reduction in expenditure. Despite the significant financial diminution, results attained in 2002 were robust in a few areas, while others inevitably suffered.

5. The reduction in programme expenditures, by about a third in 2002, did not affect the performance of operational activities proportionally. Indeed, the area of local governance showed performance gains in local resource mobilization and increased replication of the decentralized public investments models tested at the local level. In microfinance, progress was made by microfinance institutions (MFIs) towards operational self-sufficiency. An increased level of policy impact was recorded in both areas. And despite the fact that local-level capacity building was the area most affected by the reduction in programme expenditures, the volume of infrastructure constructed was greater than anticipated under the reduced budgets, indicating efficiency gains.

6. Institutionally, UNCDF made considerable progress in 2002. In response to increased demand from programme countries, the organization established technical advisory services on local governance and microfinance, operating on a cost-recovery basis. In microfinance, UNCDF underwent a donor peer review organized by the Consultative Group to Assist the Poor (CGAP), which recognized the excellence of the technical services provided by the Special Unit for Microfinance (SUM) of UNCDF. The Local Governance Unit (LGU) of UNCDF was called upon to support several technical missions of the World Bank and the Belgium Survival Fund for the Third World. UNCDF strengthened its partnership with UNDP and other development partners through formal partnership agreements. The results achieved by UNCDF attracted additional non-core resource commitments, valued at 205 per cent more than in 2001.

The way forward

7. In line with the organization's overall goal of poverty reduction, the MDGs and the objectives of the Brussels Programme for Action for the LDCs are expected to constitute the framework for UNCDF action in the coming years.

8. **Operational policies.** In support of the attainment of these vital objectives, a primary task for UNCDF is the full implementation of the operational policies reflected in its Business Plan 2000-2002, which has been extended to include 2003.

9. In local governance, in countries where the UNCDF Local Development Programme (LDP) approach has matured and LDPs have already achieved significant contributions to the decentralization agenda, UNCDF, in collaboration with UNDP, will innovate and pilot more focused and strategic approaches to the provision of decentralized public investments. In countries in the early stages of decentralization, the Fund will, depending on available resources, develop and support new programmes in partnership with local communities, governments and donor partners.

10. Recent developments worldwide indicate that the microfinance sector is evolving from a relief tool to a tool for development. There is general consensus that microfinance should be provided sustainably to ensure outreach and have a lasting impact on poverty reduction. SUM will focus on the development of the microfinance sector in LDCs as an integral part of the financial sector rather than a support mechanism for individual projects and institutions, while ensuring that the commercialization of microfinance continues to serve the purpose of alleviating poverty.

11. In its decision 99/22, the Executive Board requested that UNCDF report to it in 2004 on the impact of its programmes and activities. This independently conducted impact assessment, now under way, will provide UNCDF and the Board with an opportunity to assess the relevance and effectiveness of the organization's operational policies in supporting its overall goal of poverty reduction.

12. **Results and quality.** As a small-scale investor, the organization's impact at the country level will emanate from its ability to provide stakeholders with concrete operational results on the ground on a pilot scale, paving the way for larger-scale replication and policy impact. In local governance, the positive results from the implementation of decentralized systems of participatory planning, infrastructure delivery and maintenance are being replicated and disseminated. To capitalize further on the experience gained from these successful pilots, lessons learned will continue to be documented and analysed, and those with policy implications will be disseminated appropriately. In microfinance, both UNCDF and UNDP are committed to ensuring the quality and effectiveness of their microfinance investment portfolios. UNCDF is

strengthening its own portfolio, and in 2003 a portfolio review will be undertaken in partnership with CGAP and UNDP with the aim of increasing effectiveness in this area.

13. Human resources and management. In order to carry out the above activities, adequate high quality human resources and continuity in effective management are needed. UNCDF will attract, develop and retain the best staff available to support its corporate goals. The preparation of the administrative budget for the next biennium (2004-2005), already initiated, will provide an opportunity to review the alignment of the functions performed by the organization and staff, the expected results and the financial and human resources available and needed. The goal will be to maximize expenditure of available resources on programmes while minimizing administrative costs. As an organization specialized in two areas of concentration, UNCDF will build on its efforts to be a centre of excellence in both local governance and microfinance, but drawing on its network of programme and donor countries and research partners.

14. **Partnership.** UNCDF will faithfully implement decision 99/22, in which the Executive Board encouraged UNCDF and UNDP to intensify their collaboration and urged UNCDF to strengthen its strategic alliances with other partners, including governments, civil society, bilateral donors and multilateral organizations, such as the World Bank, to enhance the impact of its policies and programmes. UNCDF will ensure that its interventions are aligned with the poverty reduction strategy papers (PRSP) and the United Nations Development Assistance Frameworks (UNDAF) of the programme countries.

15. **Resource mobilization.** Implementation of Executive Board decision 2002/26 with regard to the core resources target of $30 million a year is a high priority. The increased number of donor and programme countries contributing to UNCDF in recent years is a vote of confidence in its work. Recognizing that non-core resources should serve as a complement to, and not a substitute for, core resources, and that they should be aligned with the operational work of the organization, the UNCDF resource mobilization target was to reach a level of $10 million in 2002. This target was surpassed, and a greater volume of non-core resources can and should be mobilized in the coming years in order to respond effectively to the demand of programme countries for results. At the same time, UNCDF will ensure compliance with the disbursement schedules and reporting requirements included in different agreements.

16. For each dollar spent by UNCDF on programme activities in 2002, it mobilized an equivalent amount in parallel funding from programme country governments, local communities and donor countries. In addition, a significant proportion of UNCDF pilot small-scale investment and capacity building initiatives were replicated on a larger scale with the support of development partners. Accordingly, with a $35[1] million annual level of programme expenditures ($25 million against core resources and $10 million in non-core), UNCDF can generate a level of operational activities in its two areas of focus exceeding $100 million a year. If one compares this level of operational activities to its annual core resources ($30 million), and to its annual administrative budget ($6 million), UNCDF represents a sound investment for the international community.

III. Financial and portfolio analysis

A. Financial analysis

17. UNCDF introduced performance budgeting to its operations in 2001. The following financial analysis for 2002 is based on provisional figures available as of March 2003.

[1] Assuming $30 million in core contributions and $10 million in non-core, plus $1 million in interest earnings, UNCDF will have an annual total budget of $41 million, of which $35 million is spent on programmes and $6 million is spent on administration and programme support.

Figure 1. Total core and non-core expenditures (in millions of United States dollars)

Expenditures (in US$ millions)	2001	% Total	2002	% Total
[illegible]	32.8	81%	22.7	75%
[illegible]	1.6	4%	2.2	7%
[illegible]	34.4	85%	24.9	82%
[illegible]	3.2	8%	2.7	9%
[illegible]	2.8	7%	2.8	9%
[illegible]	6.0	15%	5.5	18%
Grand total	40.4		30.4	

18. Due to the continuing decline in core resources, total expenditure in 2002 amounted to $30.4 million, down from $40.4 million in 2001 (a 25 per cent drop). Expenditures at the programme and headquarters levels were reduced by $9.5 million and $0.5 million respectively. Consequently, the ratio of headquarters expenditures to total expenditures increased slightly. However, since half of headquarters spending goes to programme support, management and administrative costs make up only nine percent of total expenditure.

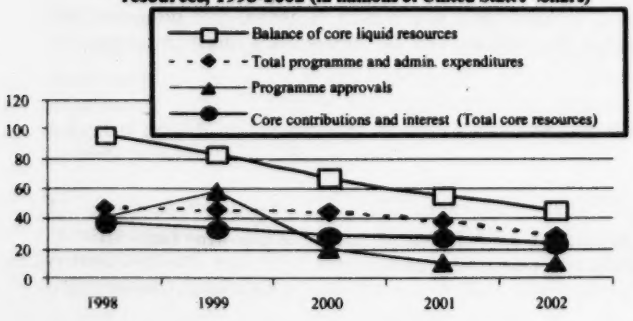
Figure 2. Total core and non-core expenditures by sub-goals (in millions of United States dollars)

	2001	%	2002	%
[illegible]				
Project level	29.4		23.3	
HQ level	2.7		2	
[illegible]	32.1	79%	25.3	83%
[illegible]				
Project level	4.1		1.9	
HQ level	1.1		0.8	
[illegible]	5.2	13%	2.7	9%
[illegible]				
Project level	0.9		(0.3)	
HQ level	2.2		2.7	
[illegible]	3.1	8%	2.4	8%
Grand total	40.4	100%	30.4	100%

19. As in its 2001 report, UNCDF has estimated the total expenditure per SRF sub-goal. Local governance programmes remain the primary focus of UNCDF expenditures, but they also suffered the bulk of the reduction, shrinking by $6.8 million. Microfinance operations, with 10 per cent of total expenditures, suffered a smaller reduction in absolute terms ($2.5 million), but this almost halved its expenditure in relation to the previous year. Expenditures in support of organizational strengthening were reduced by $0.7 million, but remained at eight per cent of total UNCDF expenditure.

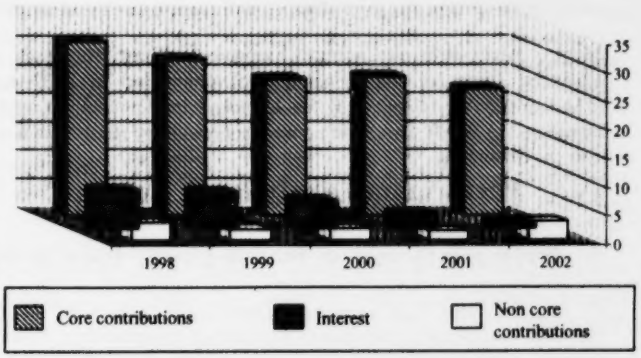
20. Figure 3 shows the decline in core resources from $37.2 million in 1998 to $23.2 million in 2002. Over the same period, expenditure from core resources fell from $48.0 million to $28.1 million. In 1998 and 1999, the accumulated liquid resources supported a high level of new project approvals ($40.9 million and $58.6 million respectively), since after the 1998 policy shift, UNCDF needed to demonstrate the potential impact of the LDPs. From 2000, declining core contributions and a reduction in accumulated liquidities necessitated measures to preserve the financial integrity of UNCDF. This was achieved through a combination of project budget reductions and rephasings, and reduced levels of project approvals (down to $9.5 million in 2002). These budget cuts and the lower level of new approvals are, however, jeopardizing the impact of UNCDF on the ground.

Figure 3. UNCDF financial situation for core resources, 1998-2002 (in millions of United States dollars)



21. As figure 4 illustrates, voluntary core contributions make up the bulk of UNCDF overall resources. Since 1998, core contributions have declined from $30.5 million to $22.3 million in 2002. Until 2001, the interest earned on accumulated liquidities was the second largest 'contributor' to UNCDF. As UNCDF responded to demands from donor and programme countries to ensure impact on the ground through increased programme delivery, accumulated liquidities were depleted, while interest earnings declined significantly – from $6.7 million in 1998 to $1.0 million in 2002. Non-core contributions overtook interest earnings as the second largest component of UNCDF resources.

Figure 4. Types of resources, 1998-2002 (in millions of US dollars)

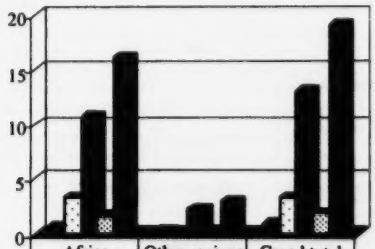


B. ROAR portfolio analysis

22. In 2002, UNCDF had an active project portfolio of 93 projects, 54 of which met the criteria for reporting[2]. Annual reports were received from 40 projects covering 29 countries, which have been aggregated into the 2002 ROAR. Others were omitted due to late submission or incomplete data. Of the reporting projects, just over half are LDPs, with infrastructure projects second, followed by microfinance projects and eco-development projects. Total programme expenditure in 2002 for all active projects was $24.9 million. The reporting projects account for $21.1 million, or 85 per cent, of total programme expenditures, and for $19.0 million, or 84 per cent, of programme expenditures against core resources.

23. Analysis of the financial data shows that UNCDF core resources are concentrated in Africa (85 per cent), where the majority of LDCs are located. In 2002, LDPs again accounted for the majority of expenditures (68 per cent), followed by infrastructure (17 per cent), microfinance (10 per cent) and eco-development projects (five per cent). While infrastructure and eco-development projects are being phased out, the low number of microfinance projects is due to a combination of natural attrition (i.e. completion of

Figure 5. ROAR portfolio per project type and region (in millions of US dollars)



	Africa	Other regions	Grand total
Eco-development	0.5	0.3	0.9
Infrastructure	3.3		3.3
LDP	10.7	2.3	13
Microfinance	1.6	0.3	1.9
Grand total	16.1	2.9	19

Figure 6. ROAR portfolio per project maturity and type (in millions of US dollars)

	Just starting	Intermediate	Advanced	Closed in 2002
Eco-development		0.5	0.3	
Infrastructure		0.2	3	
LDP	1.7	2.6	7	1.8
Microfinance		0.7	1.1	

[2] Only projects having activities lasting more than five months or with expenditure over $50,000 in 2002 are reported.

project support), and portfolio management decisions to wind down support to MFIs with chronic poor performance. In the future, new microfinance operations will be financed in line with the new focus on sector development and microfinance will remain an important pillar of UNCDF.

24. Analysis of expenditures by project maturity shows the same pattern as in 2001, with projects in advanced stages of implementation or completed in 2002 accounting for the bulk of expenditures ($11.5 million or 60 per cent for advanced implementation, and $1.8 million or 9 per cent for projects completed in 2002). Dwindling core resources have resulted in a reduction in new project approvals.

IV. Performance analysis

A. Performance analysis for sub-goal 1: Local governance

25. Sub-goal 1 is *to increase sustainable access of the poor to basic infrastructure and public services, as well as to productive livelihoods opportunities, through good local governance and enhanced natural resources management.*. Accountability for results rests with the Local Governance Unit (LGU) of UNCDF. Thirty-four reporting projects are accounted for under this sub-goal (22 LDPs, four eco-development projects and eight infrastructure projects).

Key results

26. While UNCDF support to local governance has been affected by the resource situation at the programme level, there were achievements in some key areas.

(a) At least 2.9 million people in LDC programme countries benefited from 1 406 newly constructed small-scale infrastructures such as health centres, wells, schools and irrigation schemes.

(b) Performance gains were achieved in improved access to sustainable funding sources by local authorities.

(c) More projects succeeded in policy impact and replication, with cost-sharing and trust fund agreements signed with donors (including Belgium, the Netherlands, Norway and the United Kingdom) resulting in over $12 million in non-core resources for UNCDF.

(d) An operational strategy was developed and implemented to provide development partners with technical advisory services in support of decentralized systems for public investments and replication of ongoing activities. In 2002, LGU technical advisors supported technical missions of UNDP and other agencies, including the World Bank and the United Nations Department for Economic and Social Affairs (UNDESA).

Table 1. Performance under sub-goal 1

Outcome	2001 results	2002 results
1.1.1. Improved capacity of local communities and civil society organizations to participate in local development planning	82% Satisfactory	63% Partially achieved
1.1.2. Participatory planning processes are institutionalized at the level of local authorities	79% Satisfactory	67% Partially achieved
1.2.1. Financing mechanisms, based on good-governance principles, are institutionalized at the local level	71% Partially achieved	65% Partially achieved
1.2.2. Local authorities have improved access to sustainable funding sources	44% Below expectations	63% Partially achieved
1.3.1. Local capacity to deliver basic infrastructure and public services is increased	57% Partially achieved	45% Below expectations
1.3.2. Local capacity to maintain basic infrastructure and public services is increased	51% Partially achieved	54% Partially achieved
1.3.3. Local communities are empowered to hold local authorities accountable for delivery of basic infrastructure and public services	77% Satisfactory	52% Partially achieved
1.4.1. Capacity of local authorities and communities to manage the natural resources base in a sustainable manner is improved	62% Partially achieved	50% Partially achieved
1.5.1. National policy and regulatory frameworks for decentralization and strengthened local government is improved	52% Partially achieved	53% Partially achieved
1.5.2. Best practices of UNCDF pilot projects are replicated by other donors and central governments	60% Partially achieved	59% Partially achieved

27. In 2002, there were significant gains in the area of increased access by local authorities to sustainable funding sources. This was an encouraging sign of strengthened local capacity and improved sustainability. The number of projects reporting achievements in policy impact doubled, while the number reporting replication of UNCDF programmes by other donors also increased significantly.

28. These results indicate that the earlier achievements in the participatory planning, capacity building and local infrastructure delivery indicators are beginning to have the desired effect on local resource mobilization and policy impact indicators. The mobilization of $12.5 million in non-core resources to support local governance activities is further evidence of this.

Partnerships in Niger

In Niger, UNCDF is participating in the implementation of two local development programmes in Nguigmi and Mayahi. A model for decentralized public investments was tested in collaboration with UNDP, the government and local communities, successfully producing much-needed social and economic infrastructure for the local communities. Based on the lessons learned from the initial $5 million investment, UNCDF mobilized a further $3 million from the Belgium Survival Fund for the Third World. In addition, in response to the urgent problem of food insecurity, the BSF provided an additional $400 000 to support a sustainable strategy for food security. Other donors, including the World Bank, have since turned to UNCDF for technical advice in formulating new programmes, and France has confirmed its participation in a multi-year agreement to fund LDPs in Niger.

Challenges

29. The ability of UNCDF to mobilize non-core resources to support local governance activities in 2002 did not compensate for the shortfall in core resources. At the same time, it should be noted that the decline in performance on the ground was not proportional to the reduction of project expenditures. This was particularly true for the number of local development plans and annual investment plans prepared (300 in 2002 versus 270 in 2001) and the total number of infrastructure projects constructed (1 656 in 2002 compared to 1 406 in 2001). Inevitably, there were adverse impacts on project components related to capital investments and capacity building. Since the construction of the much-needed basic local infrastructure is the end result of a long process of popular consultation, it is important that the local authorities, UNCDF and development partners be in a position to fulfill all commitments made between local populations and local partners.

The way forward

30. The main priority for UNCDF in local governance work is to support the poverty reduction efforts of LDCs as they work towards the MDGs. As a provider of capital assistance, UNCDF contributes in a concrete manner to the implementation of key development objectives embodied in the Brussels Programme for Action for the LDCs. Specifically, UNCDF works to ensure better access of the poor to essential infrastructure and socio-economic services in the sectors of health and education, road transport, markets, water supply and natural resources management.

31. UNCDF has piloted the LDPs successfully in several countries, where it will work in collaboration with donor partners to ensure that the lessons learned are capitalized upon, through national replication and/or scaling up of the pilots. UNCDF will continue to fine-tune the systems already developed to better serve the particular needs of the local population. In countries in the early stages of decentralization, UNCDF will develop and support new programmes in partnership with local communities, governments and donor partners, providing seed money to pilot new systems for decentralized public investments.

32. In response to growing demand, UNCDF will provide technical advisory services to support the local governance programmes of donor partners and will strengthen its ties with relevant organizations within and outside the United Nations family. The memoranda of understanding (MOUs) signed between UNCDF and the UNDP Bureau for Development Policy will be implemented through joint activities, another MOU will be sought with the UNDP Regional Bureau for Africa, and UNCDF will continue to lend its expertise to missions led by partners such as UNDP, UNDESA, and the World Bank. Partnerships will be developed with donors, governments, and research institutions to promote the lessons learned by UNCDF and its own learning agenda, while new thematic areas and programming instruments will be developed to ensure innovation and adaptation to emerging challenges and to attract new sources of financing.

33. As 24 out of the 49 LDCs are in special development situations, there has been a growing demand for UNCDF technical expertise and seed investments to support local public investments in these countries. In 2003, UNCDF will seek to establish an MOU with the UNDP Bureau for Crisis Prevention and Recovery to strengthen cooperation and complementarity in this area.

B. Performance analysis for sub-goal 2: Microfinance

34. Sub-goal 2 is *to increase access of the poor, especially women, to financial services on a sustainable basis through strengthened MFIs and an enabling environment.* Accountability for results in this area rests with UNCDF's Special Unit for Microfinance (SUM). In addition to managing UNCDF investments in microfinance, the Unit represents UNDP programmes and projects in CGAP and is their technical and policy advisor in the area of microfinance. The original SRF indicators under this sub-goal covered only UNCDF investments, which account for only a small portion of its microfinance activities. With the full integration of SUM into UNCDF, a more representative picture of UNCDF performance in the area of microfinance necessitates broadening the reporting to cover key results in SUM's additional output areas.

Key results

(a) Under MicroStart, 380 069 persons have received microfinance services from the MFIs supported, with women accounting for 79 per cent of clients.
(b) More than half of the MFIs supported have achieved operational self-sufficiency and have a portfolio at risk at 30 days of less than five per cent.
(c) The UNCDF portfolio of investments in microfinance was strengthened.
(e) There has been demonstrable impact on the development of national microfinance policy in at least four programme countries: Kenya, Malawi, Mauritania and Nigeria.
(f) SUM was recognized internationally, following the CGAP review, as a key provider of technical advisory services, training and best practice dissemination in microfinance.

35. Through MicroStart, UNCDF has partnered with UNDP in 19 countries. Collectively, by end-2002, the 73 MFIs receiving assistance had increased their active clients and made significant progress towards sustainability. The criteria for a second phase of MicroStart were finalized in 2002, and UNCDF collaborated with four UNDP country offices (Ghana, Nigeria, the Philippines and Yemen) to formulate Phase II programmes, successfully mobilizing $7 million for their expansion.

36. In addition to the support provided to the MicroStart programme, UNCDF has a small portfolio of investments supporting microfinance operations in LDCs. The performance of UNCDF-supported microfinance projects according to SRF targets is summarized in table 2. There were notable achievements, including the expansion of the female client base, an increase in the number of savers, and the attainment of full operational self-sufficiency by more than a third of the MFIs. Nevertheless, for many of the UNCDF-supported MFIs, particularly those operating in difficult environments, self-sufficiency remains a significant challenge.

Table 2. Performance under sub-goal 2
(SRF indicators 2.1.1 and 2.2.1 relate only to UNCDF investments; 2.3.1 relates to both UNCDF and UNDP investments)

Outcome	2001 results	2002 results
2.1.1 The poor, especially women, have greater access to microfinance services	70% Partially achieved	**70%** **Partially achieved**
2.2.1 Microfinance institutions are financially viable and provide high-quality services	56% Partially achieved	**67%** **Partially achieved**
2.3.1 Countries have improved their enabling environments for supporting the development of microfinance[3]	5 countries Satisfactory	**9 countries (cumulative)** **Satisfactory**

[3] In 2000 and 2001, results were skewed as only one project reported. At the Executive Board's request, the indicator has been revised for 2002 to track the countries in which an improvement in the enabling environment for supporting the development of microfinance was attributable to UNCDF that year.

37. In 2002, UNCDF had a demonstrable impact on the development of national microfinance policy in at least four programme countries. In addition to country-specific examples of policy and practice change, UNCDF collaborated with Acción International to conduct a high-level policy workshop on regulatory frameworks in Africa for representatives from 12 African countries. Central bank supervisors were subsequently trained to evaluate and monitor MFIs to assist in the development of, and ensure compliance with, supervisory frameworks.

Nigerian Government funding for MicroStart Phase II signals policy shift. *The Nigerian MicroStart Advisory Board approved a $3.9 million second phase to help participating MFIs scale up to reach a sustainable100 000 active clients by the end of 2005. The National Poverty Alleviation Programme of the Government of Nigeria is contributing to the programme, signifying an important shift in operational policy in support of sustainable microfinance.*

Nigerian MFIs benefiting from TCDC. *Participating Nigerian MFIs are benefiting from technical assistance from ASA (http://www.asabd.org), a Bangladeshi MFI serving 2.3 million clients in Bangladesh. According to a review by MicroSave-Africa and the CGAP, ASA is "one of the best-managed and sustainable microfinance providers in the world". The organization is known for its efficient credit delivery and recovery system and its no-nonsense loan repayment discipline.*

Impressive gains in MFI sustainability: *In MicroStart Phase I, the participating Nigerian MFIs reached 37 084 active borrowers, all of whom are poor women. Five of the seven MFIs achieved operational self-sufficiency during the first three years, while the other two made visible progress. Repayment performance is excellent, with five of the MFIs having a portfolio at risk at 30 days under five per cent. Among the Nigerian MFIs, Lift Above Poverty Organization (LAPO) has achieved 15 460 active borrowers. Other potential breakthroughs include the Justice, Development and Peace Commission and the Development Exchange Centre, which have 4 495 and 5 819 active clients, respectively.*

Challenges

38. One of the primary challenges in 2002 was to downscale and close projects that did not meet performance expectations. This portfolio streamlining will be completed by mid-2003, leaving UNCDF with a stronger portfolio of microfinance investment. Poor performance is often the result of non-compliance with established principles or the weak capacity of technical partners. More rigorous design criteria and selection criteria for technical implementers have been developed to address these issues. However, there remains the problem of insufficient funding available to initiate new investments, resulting in a diminishing portfolio.

The way forward

39. SUM will provide technical advisory services and develop the capacity of UNDP funds and programmes to apply best microfinance practices consistently, as well as support the strengthening of strategically selected individual retail microfinance operations.

40. UNCDF believes that a coordinated strategic approach to building microfinance as an integral part of the formal financial sector is the most effective route to reducing poverty and ensuring the aid effectiveness required for meeting the MDGs. SUM has developed a strategy for selected developing countries with young or emerging microfinance sectors that have the potential to integrate into the commercial sector. SUM believes it has a strong comparative advantage in facilitating this approach. Its successful implementation, however, will require an increase in the investment resources available to the Unit, which amounted to only $1.9 million in 2001.

C. Performance analysis for sub-goal 3: Organizational strengthening

41. Sub-goal 3 is *to promote a financially sound organization which develops and implements quality programming in local governance and microfinance*. UNCDF is committed to managing for results. UNCDF strives to maintain and, where necessary, build systems and capacities for optimum performance.

42. In order to capture the performance of the organization and to use the ROAR effectively as a management tool, this report includes some new and revised indicators. These improvements have been made without sacrificing comparability with 2001.

Key results

(a) There was a significant increase in the number of projects reporting achievements in policy impact and replication.
(b) External evaluations confirmed the relevance and effectiveness of UNCDF operations.
(c) Quality of results was assured as UNCDF followed through on the recommendations of the 1999 external evaluation, embodied in the UNCDF Action Plan 2000 and the Business Plan 2000-2002.
(d) Partnerships with UNDP, programme countries, donors and implementation partners were strengthened, as demonstrated by the signing of several partnership agreements and the 205 per cent increase in non-core contributions.
(e) Management and financial efficiency was maintained despite reduced core expenditures.

Table 3. Performance under sub-goal 3

Outcome	2001 results	2002 results
3.1.1 UNCDF moves from policy refinement to achieving operational impact *(Previously 3.1.1; UNCDF will have moved from policy refinement to an emphasis on operational impact)*	Satisfactory	**Partially achieved**
3.1.2 UNCDF maintains operational results and quality assurance through improved elements of the project cycle and continuous learning through monitoring and evaluation	Satisfactory	**Satisfactory**
3.1.3 UNCDF maximizes its comparative advantage through strengthened and expanded strategic partnerships	Satisfactory	**Satisfactory**
3.2.1 UNCDF maintains effective corporate management *(Previously part of 3.1.1; Action Plan 2000 targets are respected)*	Satisfactory	**Satisfactory**
3.2.2 UNCDF attracts, develops and retains high quality personnel	N.A.	**Satisfactory**
3.2.3 UNCDF improves financial efficiency *(Previously 3.2.1; UNCDF has become more efficient and cost-effective through improved tracking and analysis of its finances)*	Partially achieved	**Partially achieved**
3.2.4 UNCDF expands and diversifies its funding base *(Previously 3.2.2; A culture of resource mobilization based on measurable performance, efficiency and value for money is developed; and 3.2.3; Resource base is diversified and the number of donors increases)*	Satisfactory	**Partially achieved**

43. With the major policy refinement tasks completed in previous years, UNCDF was able to ensure the overall development relevance and effectiveness of its programmes. On aggregate, the 15 independent, external evaluations conducted in 2002 assessed UNCDF projects to be making positive contributions toward the goal of poverty reduction. To ensure operational results and quality, UNCDF brought about far-reaching changes in its project formulation and implementation processes, resulting in more efficient formulation and start-up of activities.

44. Both local governance and microfinance operations attracted interest from development partners, resulting in a 205 per cent increase in non-core resources over the previous year. The demand for UNCDF as a provider of technical advisory services in local governance and microfinance increased, and these services were provided on cost-recovery basis. Advisory services in local governance and post-conflict issues were provided to eight countries, while in microfinance, they were provided to 35 country offices, covering national strategies, policy advice, institutional appraisals and support to investments.

45. In follow-up to the 1999 external evaluations and the recommendations endorsed by the Executive Board in its decision 99/22, UNCDF has almost fully addressed the factors pertaining to UNCDF management efficiency; such as strengthening and formalizing partnership arrangements with UNDP through MOUs in the areas of local governance and microfinance, and articulating and internalizing policies on the contribution of UNCDF to poverty reduction in these areas.

Challenges

46. A central challenge facing UNCDF remains that of resource mobilization. In 2003, this takes on a heightened level of urgency, as the level of core contributions fell from $30.5 million in 1998 to $22.3 million in 2002, forcing UNCDF to reduce total programme expenditures from $34.4 million in 2001 to $24.9 million in 2002. This trend must be reversed in order to allow UNCDF to answer the growing demand for its support. Operational challenges include the need for continued attention to gender

mainstreaming, monitoring and evaluation, and operations and maintenance. In terms of organizational strengthening, two unfinished tasks in follow-up to the recommendations of the 1999 external evaluation are the full implementation of the tested management information systems (MIS) and further enhancement of financial tracking and reporting, which is now linked with the development and implementation of the UNDP corporate Enterprise Resource Planning (ERP) system scheduled to become operational in January 2004.

The way forward

47. The main tasks for 2003 (see paragraphs 7-16), are described in detail in the UNCDF 2001/2003 Business plan. To summarize, they are: (i) ensuring quality results on the ground; (ii). resource mobilization; (iii) strengthening and developing partnerships, and (iv) assessing the relevance and effectiveness of UNCDF operations through an independent impact assessment, as requested by the Executive Board (99/22).

V. Analysis of outcomes by strategic areas of support

48. This section provides analyses of the different outcomes grouped under strategic areas of support for each of the three sub-goals.

A. Local governance

49 The first strategic area of support for local governance is *1.1: Promote a participatory development process at the local level.* It has two outcomes.

Outcome 1.1.1. Improved capacity of local communities and civil society organizations to participate in the planning of local development.			
Indicators	**2001 results**	**2002 targets**	**2002 results**
1.1.1.a - Community needs are assessed in a participatory manner	14/16 projects (95%) Satisfactory	**18 projects**	**12 projects (67%) Partially achieved**
1.1.1.b - Women participate in community needs assessments	10/12 projects (69%) Partially achieved	**8 projects**	**7 projects (87%) Satisfactory**
1.1.1.c - Members of local development committees and women's groups are trained in participatory planning	13/16 projects (81%) Satisfactory	**15 projects**	**7 projects (47%) Below expectations**
Average score and assessment:	**82% - Satisfactory**	**63% - Partially achieved**	
Outcome 1.1.2. Participatory planning processes are institutionalized at the level of local authorities.			
1.1.2.a - Local authorities approve local development plans	14/17 projects (82%) Satisfactory	**17 projects**	**8 projects (47%) Below expectations**
1.1.2.b - Guidelines for elaborating local development plans exist and are complied with	8/11 projects (73%) Partially achieved	**16 projects**	**13 projects (81%) Satisfactory**
1.1.2.c - Local authorities' guidelines require that local development plans derive from participatory planning exercises	5/6 projects (83%) Satisfactory	**2 projects**	**2 projects (100%) Satisfactory**
1.1.2.d - Local authorities define and apply transparent investment selection criteria	10/10 projects (100%) Satisfactory	**11 projects**	**6 projects (55%) Partially achieved**
1.1.2.e - Community representatives, including women, are involved in the approval of local development plans	7/12 projects (58%) Partially achieved	**11 projects**	**9 projects (82%) Satisfactory**
Average score and assessment:	**79% - Satisfactory**	**67% - Partially achieved**	

50. In 2002, seven projects reported that at least 261 041 people in 771 villages had taken part in participatory needs assessment exercises and at least 270 local development plans were subsequently approved (55 540 community members were reportedly involved). In addition, 2 621 persons were trained in, and 22 604 were informed about, participatory planning. In three countries, these activities were undermined by the budgetary cuts, resulting in lower performance relative to 2001. Progress was seen towards the target for participation of women (on average, 30 per cent of the participants in needs assessment exercises were women), though fewer women (20 per cent) were consulted in the preparation of local development plans. Continued attention needs to be given to gender mainstreaming.

51. The second strategic area of support for local governance is *1.2: Promote sound, sustainable financing and financial management practices at the local level.* It has two outcomes.

Outcome 1.2.1. Financing mechanisms based on principles of good governance are institutionalized at the local level.			
Indicators	**2001 results**	**2002 targets**	**2002 results**
1.2.1.a - Local authorities prepare annual investment plans	11/11 projects (100%) Satisfactory	13 projects	11 projects (85%) Satisfactory
1.2.1.b - Local authorities' accounts are audited by a national audit authority	2/5 projects (40%) Below expectations	6 projects	1 project (17%) Below expectations
1.2.1.c - Improved compliance by local authorities with national financial, management and accounting procedures	3/4 projects (75%) Satisfactory	6 projects	5 projects (83%) Satisfactory
1.2.1.d - At least 75 per cent of local authorities meet project-defined minimum conditions for fund access	8/10 projects (80%) Satisfactory	8 projects	6 projects (75%) Satisfactory
1.2.1.e - Local authorities' staff are trained in accounting and financial management	5/15 projects (33%) Below expectations	17 projects	9 projects (53%) Partially achieved
1.2.1.f - Local authorities publicize budgets and expenditures (including indicative planning figures)	8/8 projects (100%) Satisfactory	10 projects	7 projects (70%) Partially achieved
Average score and assessment:	**71% - Partially achieved**	**65% - Partially achieved**	
Outcome 1.2.2. Local authorities have improved access to sustainable funding sources.			
1.2.2.a - Local authorities' local revenues increase	3/6 projects (50%) Partially achieved	12 projects	8 projects (67%) Partially achieved
1.2.2.b - Intergovernmental fiscal transfers to local authorities are stabilized or increase	2/6 projects (33%) Below expectations	4 projects	2 projects (50%) Partially achieved
1.2.2.c - Donors' funding to local authorities increases	3/6 projects (50%) Partially achieved	8 projects	5 projects (62%) Partially achieved
1.2.2.d - Projects with increased replacement rate of UNCDF funds by alternative external resources	No reporting	6 projects	4 projects (67%) Partially achieved
Average score and assessment:	**44% - Below expectations**	**63% - Partially achieved**	

52. The institutionalization of financing mechanisms based on principles of good governance and on improving local authorities' access to sustainable funding sources began to bear fruit. Three projects reported increases in local revenues ranging from four to 200 per cent, while at least four were successful in mobilizing additional resources from other donors to co-finance approved local development plans.

53. The third strategic area of support for local governance is *1.3: Develop local capacity to deliver and maintain basic infrastructure and public services on a sustainable basis.* It has three outcomes.

Outcome 1.3.1. Local capacity to deliver basic infrastructure and public services is increased.			
Indicators	**2001 results**	**2002 targets**	**2002 results**
1.3.1.a - Number of basic infrastructure and public services at community level increases	12/23 projects (52%) Partially achieved	26 projects	9 projects (35%) Below expectations
1.3.1.b - Targets for km of roads rehabilitated or constructed are met	6/10 projects (60%) Partially achieved	10 projects	5 projects (50%) Partially achieved
1.3.1.c - Micro-projects are completed within 125% of planned budget	10/14 projects (71%) Partially achieved	10 projects	3 projects (30%) Below expectations
1.3.1.d - Micro-projects are completed within 125% of scheduled timing	4/10 projects (40%) Below expectations	9 projects	2 projects (22%) Below expectations
1.3.1.e - At least 75% of micro-projects are positively assessed for quality	3/10 projects (30%) Below expectations	14 projects	8 projects (57%) Partially achieved
1.3.1.f - Local authorities and the private sector are trained in the delivery of basic infrastructure and public services	15/21 projects (71%) Partially achieved	25 projects	15 projects (60%) Partially achieved
Average score and assessment:	**57% - Partially achieved**	**45% - Below expectations**	
Outcome 1.3.2. Local capacity to maintain basic infrastructure and public services is increased.			
1.3.2.a - Physical infrastructure is being maintained two years after it was built	3/5 projects (60%) Partially achieved	4 projects	3 projects (75%) Satisfactory
1.3.2.b - Micro-projects have operation and maintenance plans and budgets prior to construction	7/14 projects (50%) Partially achieved	13 projects	9 projects (69%) Partially achieved
1.3.2.c - Targets regarding km of roads rehabilitated or constructed that have maintenance plans and budgets are met	2/2 projects (100%) Satisfactory	3 projects	2 projects (67%) Partially achieved
1.3.2.d - Local authorities and the private sector are trained in the maintenance of basic infrastructure	6/14 projects (43%) Below expectations	19 projects	7 projects (37%) Below expectations
Average score and assessment	**51% -Partially achieved**		**54% - Partially achieved**

54. The construction of basic infrastructure was the activity most severely affected by the budgetary cuts in 2002. Yet the reduction in infrastructure constructed was not proportional to the reduction in the project expenditures (1 406 infrastructures against 1 656 in 2001). To ensure the sustainability of such investments, 76 597 persons and 88 local development or non-governmental organization committees were trained in infrastructure operations and maintenance and at least 288 operations and maintenance committees were established.

Concrete results and benefits 2002

In 2002, at least 2 891 837 persons benefited from 1 406 newly constructed small-scale infrastructures and at least 406 000 persons benefited from the 226 km of road constructed. Small-scale infrastructure constructed in 2002 include: 35 health centres, 405 wells or drinking water supply schemes, 16 kindergartens, 99 primary schools, 148 irrigation schemes, 55 grind mills, 14 markets, 29 public buildings, 31 bridges, 87 latrines.

Outcome 1.3.3. Local communities are empowered to hold local authorities accountable for the delivery of basic infrastructure and public services.

Indicators	2001 results	2002 targets	2002 results
1.3.3.a - Local authorities have put in place and are using consultation mechanisms	8/12 projects (67%) Partially achieved	16 projects	7 projects (54%) Partially achieved
1.3.3.b - Local authorities are bound by rules that ensure that bidding and contracting is transparent and that the processes are open to public review	6/7 projects (86%) Satisfactory	12 projects	6 projects (50%) Partially achieved
1.3.3.c - Local communities have access to public spending records	3/3 projects (100%) Satisfactory	3 projects	3 projects (100%) Satisfactory
Average score and assessment:	**77% - Satisfactory**	**52% - Partially achieved**	

55. Although in absolute terms performance was lower in 2002 than in 2001, an almost equal number of projects reached their set targets as compared to the previous year, and, according to the information provided by ten projects, 1 342 local development committees (or similar fora for dialogue and consultation) were created or strengthened.

56. The fourth strategic area of support for local governance is *1.4: Promote productive livelihoods opportunities through sustainable local management of natural resources.* It has one outcome.

Outcome 1.4.1. Capacity of the local authorities and the communities to manage the natural resource base in a sustainable manner is improved.

Indicators	2001 results	2002 targets	2002 results
1.4.1.a - Local authorities plan and invest in initiatives relating to natural resource management	5/8 projects (62%) Partially achieved	12 projects	6 projects (50%) Partially achieved
1.4.1.b - Local authorities control and regulate access and use of natural resources	3/5 projects (60%) Partially achieved	8 projects	4 projects (50%) Partially achieved
1.4.1.c - Initiatives relating to natural resource management supported by two or more local authorities	2/5 projects (40%) Below expectations	9 projects	6 projects (67%) Partially achieved
1.4.1.d - Natural resource management user groups are established and functional	5/7 projects (71%) Partially achieved	9 projects	4 projects (44%) Below expectations
1.4.1.e - Households derive their income from new on-farm or off-farm activities	8/12 projects (67%) Partially achieved	14 projects	6 projects (43%) Below expectations
Average score and assessment:	**62% - Partially achieved**	**50% - Partially achieved**	

57. Again, the apparent setback in performance under the natural resource management indicators is deceiving. In absolute terms, more projects achieved their set targets in 2002 than in the previous year. Projects were successful in encouraging local authorities to plan inter-communal activities over shared natural resources, such as a forest or a lake, with 18 inter-communal committees and 128 natural resource management committees created. Local authorities and communities also embarked successfully on impressive land rehabilitation efforts.

Concrete results and benefits 2002

1 283 hectares of land rehabilitated; 881 hectares planted with trees; 461 000 seedlings distributed; 22 664 cattle vaccinated; 128 natural resources management committees established; 18 inter-communal committees created; 595 income-generating activities initiated; 34 156 farmers and 200 extension staff trained; 3 800 persons sensitized to natural resources management issues.

58. The fifth strategic area of support for local governance is *1.5: Advocate for national policies supporting decentralization, and for replication of pilot programmes.* It has two outcomes.

Outcome 1.5.1. National policy and regulatory frameworks for decentralization and strengthened local government are improved.			
Indicators	**2001 results**	**2002 targets**	**2002 results**
1.5.1.a - National policy directions on decentralization are influenced by UNCDF programmes	3/7 projects (423%) Below expectations	12 projects	6 projects (50%) Partially achieved
1.5.1.b - Statutory and legal frameworks are influenced by UNCDF programmes.	4/4 projects (100%) Satisfactory	4 projects	2 projects (50%) Partially achieved
1.5.1.c - Regulatory framework is influenced by UNCDF programmes	3/5 projects (60%) Partially achieved	3 projects	3 projects (100%) Satisfactory
1.5.1.d - Percentage of projects where norms, systems and procedures at the local level reflect UNCDF lessons learned	3/9 projects (33%) Below expectations	13 projects	6 projects (46%) Below expectations
Average score and assessment:	**52% - Partially achieved**	**53% - Partially achieved**	
Outcome 1.5.2. Best practices of UNCDF pilot projects are replicated by other donors and central government.			
Indicators	**2001 results**	**2002 targets**	**2002 results**
1.5.2.a - UNCDF support to local authorities is replaced or increased through co-financing by other donors	2/2 projects (100%) Satisfactory	5 projects	2 projects (40%) Below expectations
1.5.2.b - UNCDF programmes are replicated outside of UNCDF programme areas by other donors	1/2 projects (50%) Partially achieved	3 projects	2 projects (67%) Partially achieved
1.5.2.c - Elements of UNCDF programme methodology have been adopted by other donors	0/1 projects (0%) Below expectations	9 projects	6 projects (67%) Partially achieved
Average score and assessment:	**60% - Partially achieved**	**59% - Partially achieved**	

59. Policy impact and replication are the most challenging aspects of the LDP approach. In 2002, a total of 13 projects carried out activities with the specific aim of affecting some level of policy-making, with half achieving their targets satisfactorily. In Uganda, the LDP prepared a fiscal decentralization strategy that was eventually implemented by the Government. Nine projects set targets for replication activities, six of which attained satisfactory results and succeeded particularly in promoting the adaptation of UNCDF project design, strategy, and methodology by other donors.

B. Microfinance

60. In the following analysis, the performance assessments presented in the tables for outcomes 2.1 and 2.2 refer only to UNCDF microfinance investments, while the assessment of UNCDF support to UNDP microfinance investments is provided in narrative form.

61. The first strategic area of support for microfinance is *2.1: Support an increase in assets of the poor.* It has one outcome.

62. Through MicroStart, UNCDF partnered with UNDP in 19 countries. Collectively, at the end of 2002, the 73 MFIs that received assistance had increased by more than a quarter million (252 948) the number of active clients they serve. Seventy-nine per cent of these clients are women. In 2002, an independent mid-term evaluation was carried out of MicroSave Africa II, for which UNCDF provides implementation support. Among the evaluation conclusions was that "MicroSave Africa II... has continued to enhance its high reputation in the region, and generally across to the provision of financial services to the poor". In 2002, MicroSave Africa II and its partners provided new or enhanced financial services to 229 093 clients, and increased the capacity of an additional 64 MFIs to carry out new product development.

Outcome 2.1.1. The poor, especially women, have greater access to microfinance services.			
Indicators	**2001 results**	**2002 targets**	**2002 results**
2.1.1.a - MFIs reach targets regarding number of active borrowers	19/27 MFIs (70%) Partially achieved	23 MFIs	16 MFIs (70%) Partially achieved

63. With respect to the microfinance investments of UNCDF in 2002, 16 MFIs, or 70 per cent, attained their targets for active borrowers, with eight exceeding their targets. Measured in terms of the total number of active borrowers reached, the performance is even more satisfactory – of a combined target of 68 993, the MFIs managed to reach 61 267 active borrowers, or 89 per cent of their combined targets. However, the result owes more to improved consistency and accuracy in institutional reporting than to an actual improvement in performance. Importantly, the MFIs report an increase in the percentage of female

borrowers in 2002 – 46 per cent, compared with 41 per cent in 2001. In addition, despite the lower number of MFIs reporting, the number of active savers increased from 107 069 in 2001 to 134 817 in 2002.

64. The second strategic area of support for microfinance is *2.2: Promote the development of sustainable microfinance institutions.* It has one outcome.

65. For the MicroStart investments of UNDP managed by SUM, 2002 saw an increasing number of 'breakthrough' MFIs[4]. Gains in sustainability also emerged. It takes an MFI three to five years to reach operational self-sufficiency, and at the end of 2002, the length of time MicroStart country programmes had been operational averaged only two and a half years. Even so, 59 participating MFIs (82 per cent) demonstrated clear progress towards operational self-sufficiency, and 42 of these (58 per cent) had already achieved it. In addition, 38 MFIs (53 per cent) had a portfolio at risk at 30 days of less than five per cent.

Outcome 2.2.1. Microfinance institutions are financially viable and provide quality services.			
Indicators	**2001 results**	**2002 targets**	**2002 results**
2.2.1.a - MFIs reaching targets regarding operational self-sufficiency rates	16/27 MFIs (59%) Partially achieved	**21 MFI**	**20 MFI (95%)** **Satisfactory**
2.2.1.b - MFIs reaching targets regarding portfolio at risk	11/26 MFIs (42%) Below expectations	**23 MFI**	**11 MFI (48%)** **Below expectations**
2.2.1.c - MFIs reaching targets regarding portfolio outstanding	18/27 MFIs (67%) Partially achieved	**23 MFI**	**14 MFI (61%)** **Partially achieved**
Average score and assessment:	**56% - Partially achieved**	**67% - Partially achieved**	

66. With respect to UNCDF investment in microfinancing, 2002 saw a significant increase in MFIs making satisfactory progress towards operational self-sufficiency as compared to 2001, up from 59 per cent to 95 per cent. Eight have attained full operational self-sufficiency, and five of these have attained full financial self-sufficiency. However, performance towards reducing the portfolio at risk remains a challenge. Although 11 (48 per cent) of reporting MFIs have made satisfactory progress towards their portfolio-at-risk targets, only six of them have attained the industry standard of portfolio at risk at 30 days of five per cent. Clearly, for many of the MFIs, operational and financial self-sufficiency remains a challenge.

67. The third strategic area of support for microfinance is *2.3: Advocate for an enabling environment for sustainable microfinance activities.* It has one outcome.

Outcome 2.3.1. Countries have improved their enabling environment for supporting the development of microfinance.		
Indicators	**Prior to 2002**	**2002**
2.3.1.a - Number of countries improving their enabling environment for supporting the development of microfinance with UNCDF support *(Previously 2.3.1.a, Percentage of projects having led to institutional change in the microfinance environment)*	5 countries Cambodia Madagascar Mongolia Morocco Uganda	**9 countries (cumulative)** **Kenya** **Malawi** **Mauritania** **Nigeria**
Average score and assessment :	**Satisfactory**	**Satisfactory**

68. This indicator was revised to monitor the running total of countries where UNCDF has improved the enabling environment for microfinance, bearing in mind that it is not realistic to expect results every year. Prior to 2002, UNCDF had success in five programme countries; in 2002, four more were added to the list. This result represents an important shift in the operational policies of governments towards supporting sustainable microfinance.

[4] A 'breakthrough' is an organization that becomes a major service provider in its geographic area, attaining substantial independence from donors through financial viability, and influencing other providers.

C. Organizational strengthening

69. The first strategic area of support for organizational strengthening is *3.1: Promote excellence in the planning, implementation, monitoring and evaluation of local development programmes and microfinance operations*. It has three outcomes.

Outcome 3.1.1. UNCDF moves from policy refinement to achieving operational impact.			
Indicators	**2001 results**	**2002 targets**	**2002 results**
3.1.1.a - Projects evaluated with overall positive findings *(Previously 3.1.1.b; Evaluations show greater levels of impact)*	"UNCDF interventions contribute significantly to the well-being of the poor" [Satisfactory]	15	11 (73%) **Partially achieved**
3.1.1.b - Results attained in policy impact and replication. *(Previously 3.1.3.c; Number of programmes with strategies for policy impact and replication)* Policy impact Replication	 14/26 (54%) 3/5 (60%) (55%) Partially achieved	 31 17	 21 (68%) 10 (59%) (65%) **Partially achieved**
Average score and assessment:	56% - Partially achieved	**69% - Partially achieved**	

70. After finalizing its policy documents and guidelines, UNCDF went on to ensure operational impact. Fifteen projects were evaluated by independent, external evaluators, out of which 11, or 73 per cent, were assessed as having an overall positive impact. The evaluations found room for improvement, particularly in terms of gender mainstreaming, monitoring and evaluation, and infrastructure operations and maintenance. In terms of policy impact and replication, there was a significant increase in the number of projects reporting replication of UNCDF funded activities in both areas.

Outcome 3.1.2. UNCDF maintains operational results and quality assurance through improved elements of the project cycle and continuous learning through monitoring and evaluation.			
Indicators	**2001 results**	**2002 targets**	**2002 results**
3.1.2.a - Projects formulated within a year (from fielding of mission to approval) *(Previously 3.1.2.b; Average time of project formulation)*	9 months Exceeded expectations	4	4 (100%) **Satisfactory**
3.1.2.b - Projects formulated according to corporate guidelines and approved *(Previously 3.1.2.c; Programmes formulated according to guidelines, and 3.1.2.d;- Percentage of new projects with exit strategy)*	(100%) Satisfactory	5	4 (80%) **Satisfactory**
3.1.2.c - Projects approved that start implementation within six months		6	4 (80%) **Satisfactory**
3.1.2.d - Ongoing projects with monitoring and evaluation systems in place	44/92 (48%)	93	40 (43%) **Below expectations**
3.1.2.e - Projects reporting through MIS		20	15 (75%) **Satisfactory**
3.1.2.f - Annual reports available for ROAR		58	40 (69%) **Partially achieved**
3.1.2.g - Evaluations implemented according to plan	15/21 (71%)	23	15 (65%) **Partially achieved**
3.1.2.h - Best practices documented and disseminated *(Previously 3.1.3.b)*	9 case-studies documented	2 best practices documented	7 (350%) **Exceeded expectations**
Average score and assessment:	Satisfactory	**108% - Satisfactory**	

71. To ensure operational effectiveness and enhance efficiency, UNCDF has been systematically following through on the recommendations of the 1999 external evaluation. This work is now producing results. All four projects formulated in 2002 were formulated within a year of initialization. Five out of six projects began implementation within six months of approval. Much effort was put into developing and establishing effective monitoring and evaluation systems in UNCDF-supported projects. In 2002, MIS-based monitoring systems were tested in 20 countries, with a 75 per cent success rate.

72. Since UNCDF is a piloting, innovating organization, emphasis is placed on evaluation, research, documentation and dissemination of the lessons learned in local governance and microfinance. UNCDF has achieved the majority of its targets for continuous learning.

Outcome 3.1.3. UNCDF maximizes its comparative advantage through strengthened and expanded strategic partnerships.			
Indicators	**2001 results**	**2002 targets**	**2002 results**
3.1.3.a - Number of programmes, projects and joint activities with replication partners *(Previously 3.1.3.a; Number of programmes/projects with replication partners, and 3.1.3.d; Increased networking and growth in number of partnerships)*	2 partnerships 2 MOUs signed	4 partnerships 1 MOU signed	8 partnerships 1 MOU (100%) Satisfactory
3.1.3.b - Number of technical advisory services provided	19/5 (380%)	LGU: 5 SUM: 35	LGU: 8; SUM: 35 (108%) Satisfactory
3.1.3.c - Increase in number of external visits per week to website	3800	-	7000
3.1.3.d - Number of new publications or videos produced as planned		2	2 (100%) Satisfactory
Average score and assessment:	Satisfactory	**103% - Satisfactory**	

73. The MOU between UNDP and UNCDF in the area of local governance and decentralization was finalized in 2002, paving the way for greater collaboration between the two agencies. In strengthening other partnerships, the LGU provided technical inputs to the Low-Income Countries Under Stress (LICUS) initiative of the World Bank, supported a World Bank-led formulation mission in Niger (which included the European Union and the African Development Foundation as partners), and signed a strategic framework for programme cooperation with the Belgium Survival Fund. In microfinance, SUM provided a $450 000 loan co-financed by the UNDP Regional Bureau for Africa to support the Africap Microfinance Fund, the first equity fund to support microfinance in Africa. Demand for UNCDF expertise in local governance and microfinance remained high. LGU provided technical advisory services in support of local governance and post-conflict issues to eight countries, while SUM provided these services to 35 countries.

74. The second strategic area of support for organizational strengthening is *3.2: Promote sound corporate and financial management of the organization and expand and diversify the funding base.* It has four outcomes.

Outcome 3.2.1. UNCDF maintains effective corporate management.			
Indicators	**2001 results**	**2002 targets**	**2002 results**
3.2.1.a - Targets of Corporate Management/Business Plan are met *(Previously 3.1.1.c; Action Plan 2000 targets are respected)*	8.5/11 (77%) Satisfactory	All Action Plan 2000 and Business Plan 2000-2002 targets met	Action Plan 9/11 (82%) Business Plan 50/61 (82%) Satisfactory
3.2.1.b - Targets of unit plans are met		All unit plan targets met	LGU – 81% SUM – 90% Evaluation Unit – 75% (82%) Satisfactory
Average score and assessment	Satisfactory	**82% - Satisfactory**	

75. The majority of the follow-up activities to the recommendations of the 1999 external evaluation, captured in the Action Plan 2000, have been completed. Those remaining relate to full implementation of the MIS and further improvement of financial tracking and reporting, which is linked to the UNDP ERP effort. In 2002, all units were required to prepare unit management plans. These were completed in timely manner and end-of-year reviews indicated a high rate of target achievement by all three units.

Outcome 3.2.2. UNCDF attracts, develops and retains high-quality personnel.		
Indicators	**2002 targets**	**2002 results**
3.2.2.a - Ratio of actual staff to planned staff in HQ	51	47 (92%) Satisfactory
3.2.2.b - Number of staff days assigned to formal learning events	510	611 (120%) Partially achieved
Average score and assessment	**106% - Satisfactory**	

76. The vacancy rate for the combined headquarters and country office establishment is currently eight per cent. The staffing gap resulted from a conscious decision taken to reduce headquarters costs. However, there are consequences in terms of the overall productivity of the organization and the additional pressure placed on staff. In order to ensure the quality of its results and to establish itself as a centre of excellence, UNCDF supports the capacity development of its staff and seeks to ensure that at least five per cent of staff time is spent on personal competency development.

Outcome 3.2.3. UNCDF improves financial efficiency.			
Indicators			
3.2.3.a - Financial performance		**2001**	**2002**
1. HQ expenditures as a percentage of total UNCDF expenditures *(Previously 3.2.1.b; Percentage of administrative costs)*		15%	**18%**
2. Project expenditures as a percentage of total UNCDF expenditures		85%	**82%**
3.2.3.b - Accuracy of financial planning (i.e., variance analysis of actual expenditure in relation to planned expenditure) *(Previously 3.1.1.a; Annual programme targets met)*			
	2001 results	**2002 targets**	**2002 results**
a. Expenditures	**$36 million/$35 million**	**$25 million**	**$22.7 million (90%)** **Satisfactory**
b. Approvals	**$10.6million/$10.6million (100%)** **Satisfactory**	**$6 million**	**$9.1 million (52%)** **Partially achieved**
3.2.3.c - Change in cost-recovery through technical advisory services (TAS)		**$409,045 (50% of TAS costs)**	**$193,023 (47%)** **Below expectations**
Average score and assessment	Satisfactory	**63% - Partially achieved**	

77. With project expenditure at 82 per cent and headquarters expenditure at 18 per cent, UNCDF resource deployment was correctly proportioned in 2002, especially as half of headquarters expenditure was in programme support. Furthermore, the ratio does not account for the significant volume of programme expenditures under UNDP-funded microfinance programmes, which receive technical support from UNCDF. One of the ways in which UNCDF attempted to increase revenue was by recovering costs from the technical advisory services provided to its development partners. For the first year of its implementation, a target of 50 per cent cost-recovery was set, of which 24 per cent was attained.

78. Core contributions to UNCDF for 2002 reached $22.3 million as compared to $24.3 million in 2001. The main factor explaining this situation is that one of the most generous contributors to UNCDF, in the name of burden sharing, significantly reduced its contribution to UNCDF in 2002. Non-core contribution agreements signed have more than tripled, from $4.1 million in 2001 to $12.5 million in 2002.

Outcome 3.2.4. UNCDF expands and diversifies its funding base.			
Indicators	**2001 results**	**2002 targets**	**2002 results**
3.2.4.a - Change in core and non-core funding *(Previously 3.2.3.a; Increase in core funding and 3.2.2.b; Increase in non-core funding)*			
a. Core	**$24.3million/$30 million (81%)** **Satisfactory**	**$30 million**	**$22.3 million (74%)** **Partially achieved**
b. Non-Core	**$4.1 million/$8million (51%)** **Partially achieved**	**$10 million**	**$12.5 million (125%)** **Exceeds expectation**
3.2.4.b - Change in number of donors	15 (115%) Satisfactory	17	17 (100%) **Satisfactory**
Average score and achievement		**Satisfactory**	**100% - Satisfactory**

VI. Lessons learned in results-based management

79. UNCDF implemented its results-based management (RBM) system over a very short period, initiating it in 1999 and producing a ROAR every year since 2000. However, the institutionalization process is not yet complete. Three key lessons have emerged to date from the efforts to institutionalize RBM and performance budgeting in UNCDF.

80. First, in order to make the ROAR a 'live' management tool, the 2002 ROAR was reformulated to go beyond reporting on results attained, and identify management challenges and the way forward. This effectively integrates the management agenda with the results desired.

81. Second, in order to further infuse RBM into the work culture of the organization, specific and, as far as possible, direct relationships will have to be established between the results produced and the utilization of human and financial resources; that is, direct links will have to be made between the SRF and the unit and individual performance plans.

82. Third, and finally, while the setting of SRF indicators helps to focus the organization on long-term strategic goals, these indicators often fail to capture achievements responding to changing contexts and situations. In order for the SRF to remain relevant, the indicators must be constantly reviewed and revised, although this necessary flexibility may complicate inter-year comparisons.

Annex. The SRF/ROAR methodology

The strategic results framework 2000–2003 was developed in 2000 in consultation with all UNCDF partners and staff, including field staff, and was approved by the Executive Board in June 2000. As a 'live' management tool, the SRF is revised regularly. Results based management tools - the annual work plan and the annual work plan report – have been introduced to facilitate the preparation of the ROAR.

At the beginning of each calendar year, annual outcomes and outputs are identified for programmes and projects (with specified targets and budgets) and linked with SRF indicators (if and when relevant). Programme managers, monitoring and evaluation technical advisors and the Evaluation Unit screen the plans to ensure compliance with the SRF and that targets are realistic. At the end of the year, annual achievements are compiled and reported through the annual work plan reports. To validate the data submitted, field technical reports and external project evaluation conclusions are compared with the annual work plan reports of those projects.

Performance is rated according to target achievement rates for each project reporting under a specific SRF outcome indicator. The categories are defined as follows:

1.	Over 100%:	Exceeded targets
2.	75 - 100%:	Satisfactory
3.	50 - 74%:	Partially achieved
4.	Below 50%:	Below expectations

Using this rating system, the assessment of performance under each SRF outcome indicator is calculated by dividing the total number of projects assessed as "satisfactory" and "exceeded targets" by the total number of projects reporting under the indicator. For example:

PROJECT	TARGET	ACHIEVEMENT	PERCENTAGE	CATEGORY
Project 1	100 villages	80 villages	80%	Satisfactory
Project 2	50 communes	25 communes	50%	Partially satisfactory
Project 3	200 villages	210 villages	105%	Exceeded targets
Project 4	2 districts	2 districts	100%	Satisfactory
Overall assessment of indicator			3 of 4 projects attain 75% or more of their targets	Satisfactory

Following the assessment of performance by SRF indicator, for sub-goals 1 and 2, the assessment of overall progress towards an outcome is calculated by dividing the number of projects performing satisfactorily or above expectations by the total number of projects reporting. A "satisfactory" assessment means that UNCDF has progressed acceptably towards achieving of the outcome. For example:

Outcome indicator	Total number of projects reporting	Number of projects satisfactory or better
Indicator 1	4	3 (75%)
Indicator 2	16	15 (93.8%)
Indicator 3	10	7 (70%)
Overall assessment of progress towards outcome	30	25 (83.3%) [Rating: Satisfactory]

For sub-goal 3, due to the different units of measurements utilized, the assessment of overall progress is calculated by taking the average of the percentage scores for each indicator. In the analysis, certain indicators that may skew the results must be discounted.

Finally, the assessments of outcomes are aggregated under each sub-goal and analyzed to determine the Fund's overall performance.

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2002 Results-oriented annual report of the United Nations Capital Development Fund

Corrigendum

Page 12, table 3

Indicator 3.2.4, UNCDF expands and diversifies its funding base, last row, column 3, 2002 results, *should read* Satisfactory.

Page 15, table headed Outcome 1.3.3

Indicator 1.3.3.a, local authorities have put in place and are using consultation mechanisms, first row, column 4, 2002 results, *should read* 7 projects 44% (below expectations).

Page 16, table headed Outcome 1.5.1

Indicator 1.5.1.a, National policy directions on decentralization are influenced by UNCDF programmes, first row, column 2, 2001 results, *should read* 3/7 projects (42%).

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